

HELSINGIN KAUPPAKORKEAKOULU

Kansainvälisten toimintojen
koulutusohjelma



INTERNATIONAL FRANCHISING - STANDARDISATION VERSUS ADAPTATION TO CULTURAL DIFFERENCES

Helsingin
Kauppa-Korkeakoulun
Kirjasto

7318

Liiketaloustiede: Kansainvälisen
liiketoiminnan pro gradu -tutkielma
Satu Sipola
Syksy 1998

Markkinoinnin

laitoksen

laitosneuvoston kokouksessa 9 / 9 1998 hyväksytty

arvosanalla

non sine laude approbatur
Ktl Eero Vaara ja Ktn Heli Korhonen

24.08.1998

INTERNATIONAL FRANCHISING - STANDARDISATION VERSUS ADAPTATION TO CULTURAL DIFFERENCES**Tavoitteet**

Tutkimusongelma on kulttuurierojen vaikutus kansainväliseen franchisingiin, jonka perusidea on standardisoitu toimintatapa. Tämä johtaakin kysymykseen, pitäisikö periaatteessa standardia franchising-pakettia muokata kuluttajien mieltymyksissä havaittavien kulttuurierojen mukaiseksi eri markkinoilla. Tutkimuksen tarkoitus on kartoittaa, minkälaisia muokkauksia, jos mitään, franchising-antajat tekevät franchising-paketteihinsa siirtäessään franchising-konseptinsa ulkomaille.

Lähdeaineisto

Tutkimusongelmaa tarkastellaan empiirisen illustraation avulla perustuen Suomessa toimivien franchising-ketjujen kokemuksiin. Lähdeaineisto kerätään kyselyn avulla. Otos muodostuu 76 Suomessa toimivasta franchising-ketjusta.

Tulokset

Lähes kaikki vastaajat, joilla on kansainvälisiä toimintoja, ovat muokanneet joitain franchising-pakettinsa osa-alueita. Heidän mukaansa muokkaukset ovat myötävaikuttaneet heidän kansainvälisten toimintojensa menestykseen. Lisäksi kaksi kolmannesta vastaajista, jotka ovat aloittamassa tai laajentamassa kansainvälisiä toimintojaan seuraavan viiden vuoden aikana, aikovat muokata franchising-konseptiaan kulttuurieroihin uusilla markkinoilla.

Useimmiten muokatut franchising-paketin osa-alueet liittyvät hintaan ja paikkaan, kun taas logot ja brandit ovat vähiten muokattuja. Lisäksi franchising-antajat näyttävät muokkaavan valittuja elementtejä mieluiten vähäisissä tai jossain määrin. Huomattavia muokkauksia vältetään.

Avainsanat

franchising, franchising-antaja, standardisointi, muokkaus, kulttuurierot

**INTERNATIONAL FRANCHISING - STANDARDISATION VERSUS ADAPTATION
TO CULTURAL DIFFERENCES**

Objectives

The research problem concerns the impact of cultural differences on international franchising where standardisation is the main business idea. This leads to the question of whether the basically standard franchising package should be adapted to cultural differences in consumer preferences on different markets. The purpose of the study is to analyse what kind of adaptations, if any, franchisors make in their basically standardised franchising packages when entering foreign markets.

Methodology

The problem is examined by the empirical illustration based on the experiences of franchising chains operating in Finland. The data is gathered by a survey. The sample consists of the total of 76 franchising chains operating in Finland.

Results

Almost all the respondents already having international operations have adapted some elements in their franchising packages. Consequently, they find their adaptations to have contributed to the success of their international franchising operations. Additionally, two thirds of the franchisors starting or expanding their international operations within the next five years are going to adapt their franchising concept to cultural differences on the new markets.

The most frequently adapted components in the franchising package relate to price and place whereas logos and brand names are among the least adapted. As far as the extent of adaptations is concerned, franchisors seem to prefer to adapt the selected elements either to some extent or slightly. Thus, considerable adaptations are avoided.

Key Words

franchising, franchisor, standardisation, adaptation, cultural differences

TABLE OF CONTENTS

1. Introduction	1
1.1 Background and Research Gap	1
1.2 Purpose of the Study	2
1.3 Key Concepts and Limitations	3
1.4 Structure of the Study	5
2. Literature Review	8
2.1 International Franchising	8
2.1.1 International Franchising Today	8
2.1.2 Franchising Package	13
2.1.3 Problems in International Franchising	16
2.2 Cultural Differences versus Globalization of Consumer Preferences	22
2.2.1 Role of Culture in International Consumer Behaviour	23
2.2.2 Globalization of Consumer Preferences	26
2.3 Standardisation versus Adaptation	28
2.3.1 Standardisation versus Adaptation in Global Market	28
2.3.2 Standardisation versus Adaptation of Franchising Package	32
2.4 Theoretical Framework of the Study	43
3. Methodology	46
4. Findings and Discussion	50
4.1 Background of Respondents	50
4.2 Problems Encountered in International Franchising	53
4.3 Standardisation versus Adaptation of Franchising Package	57
4.4 Significance of Market Research	67
4.5 Steps towards Internationalization	68

5. Conclusions	72
5.1 Summary and Major Findings	72
5.2 Managerial Implications	77
5.3 Suggestions for Further Research	78
References	80
Appendices	84

LIST OF FIGURES

Figure 1. Structure of the Study	6
Figure 2. Franchising Package	14
Figure 3. Role of Culture in Consumer Behaviour	23
Figure 4. Levels of Culture	25
Figure 5. Standardisation versus Adaptation on Global Market	29
Figure 6. Theoretical Framework of the Study	43
Figure 7. Branch of Respondents	51
Figure 8. International Operations and Plans of Respondents	52
Figure 9. Problems Encountered in International Franchising	55
Figure 10. Standardisation versus Adaptation of Franchising Package	58
Figure 11. Planned Adaptations of Franchising Package	64
Figure 12. Steps towards Internationalization by Finnish Franchisors	69
Figure 13. Elaborated Theoretical Framework of the Study	74

1. INTRODUCTION

1.1 BACKGROUND AND RESEARCH GAP

During the recent years, there has been a growing interest in international franchising. This is largely due to the fact that franchising is the fastest growing business method in America today and also in many other parts of the world (Chan & Justis 1992, 83). For example, the fast developing countries like Singapore and Far East look very attractive to franchisors. Moreover, the deregulation due to the Single Market seems to lead in a significant growth of franchising in the EU area.

There has been copious research on the internationalization of franchising as well as the factors behind the success of international franchisors (e.g. Welch 1990, 1992, Falbe & Dandridge 1992 and Fladmoe-Lindquist 1996). Nevertheless, the majority of studies has been made in the USA, the best known of them probably being the studies of Etzel and Walker in 1973 and of Hackett in 1976 (in Aydin & Kacker 1990, 45). In Finland, international franchising has not been examined until recent years. The Ministry of Trade and Industry, for example, commissioned the study of "Franchising as a business mode for the industrial small and medium sized enterprises sector especially from the point of view of the internationalization" (Laakso 1995).

However, only one previous study, again made in the USA, was to be found that focused on the impact of cultural differences on international franchising (Hopkins 1996). Nevertheless, the cultural differences are one of the most problematic areas in the franchising business where standardisation is the main idea of the whole franchising concept. This leads to the question of whether the basically standard franchising

package should be adapted to the tastes, habits, values and consumer preferences of different cultures on different markets.

As Hopkins' (1996) study is the only recent one focusing on the issue of standardisation versus adaptation in international franchising, the results of this survey will be mainly compared to the findings of Hopkins. To some extent the results can be also compared to the findings of Hackett (1976, see e.g. in Andersson-Tuominen 1990, 83) who examined some aspects of this issue in his study of US franchisors operating internationally.

1.2 PURPOSE OF THE STUDY

The aim of this study is to analyse how cultural differences in consumer behaviour among foreign markets to be penetrated affect the internationalization process of franchising. More precisely, the study focuses on analysing whether the franchisors operating in Finland have adapted their franchising packages to different markets. In the question form, the basic research problem can be stated as follows:

What kind of adaptations, if any, franchisors make in their franchising packages when entering foreign markets?

The problem will be analysed by the empirical illustration based on the experiences of franchising chains operating in Finland.

1.3 KEY CONCEPTS AND LIMITATIONS

Franchising is characterised by an ongoing business relationship between two independent companies, the franchisor and the franchisee. Franchising is always based on the contract, where the **franchisor** gives the **franchisee** a right to use the trademark, production methods and/or the entire business format that the franchisor has developed, against a payment. (see e.g. Luostarinen & Welch 1990, 73) This paper concentrates on discussing international franchising from the point of view of the franchisor. The franchisee's side is limited out of the scope of the study since the study focuses on adaptation issues of franchising package which is basically the franchisor's concern.

The case where the franchisee is given the right to use the entire business format of the franchisor, a marketing strategy and plan, operating manuals and standards etc., is usually called **business format franchising** (Welch 1989, 7). This could be said to be "the purest" way of franchising and therefore this study mainly concerns it. This is also the practice in Europe in general that the research of franchising is concentrated on business format franchising (Laakso 1995, 6). Business format franchising is used as an operation mode in many different kinds of businesses, for example in business and personal services, convenience stores, auto repair and in fast-food industry that is perhaps the most well-known franchising sector throughout the world (Falbe & Dandridge 1992, 43).

The other possible form of franchising is **tradename franchising** in which only parts of the franchisor's business is transferred to the franchisee, including always the right to use the trade mark of the franchisor, but not the entire business format. There is no actual

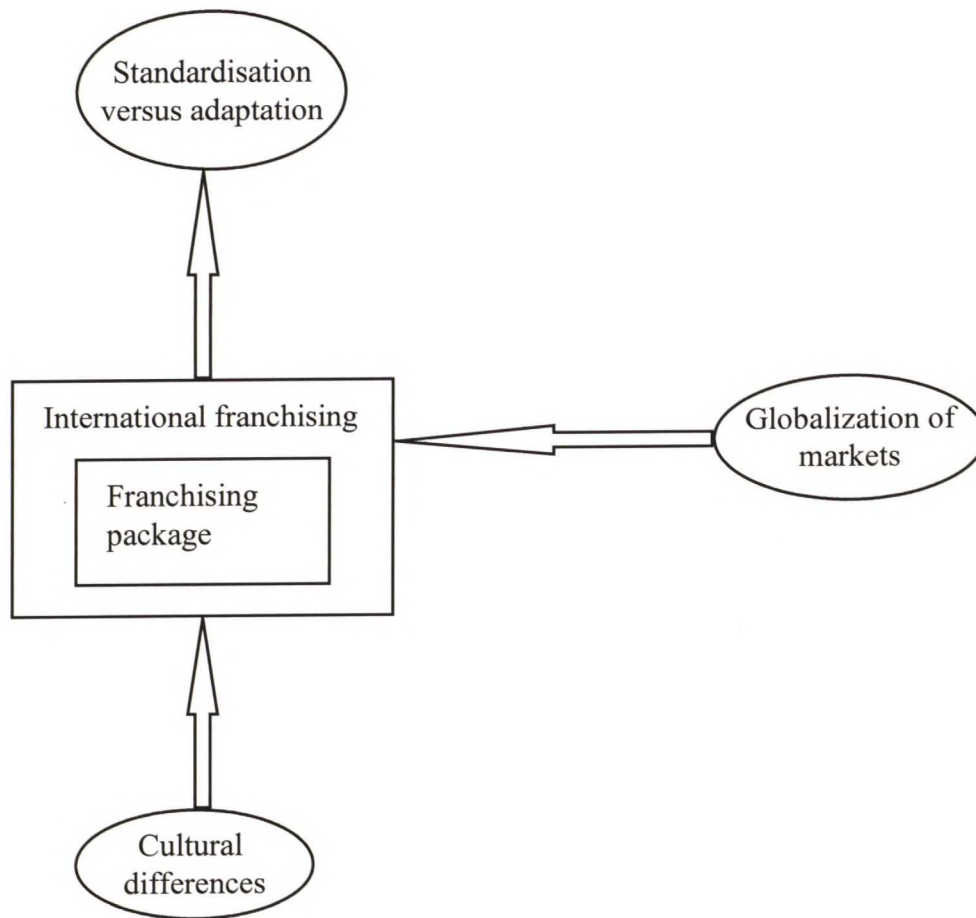
cooperation in this franchising form. (Laakso 1995, 6) According to International Franchising Association (IFA) (in *ibid.*) there is still the third possible form of franchising, namely **product distribution franchising**. This is clearly a retailing solution in which the franchisee has the right to sell the products of the franchisor under his name and outlook. The cooperation in this mode includes only marketing. These franchising forms are often discussed in literature together under the name **product and tradename franchising**. (*ibid.*) Typical examples of product and tradename franchising are soft drink bottlers, like Coca Cola, automobile and truck dealers, e.g. General Motors and gasoline service stations, as Texaco (Falbe & Dandridge 1992, 43).

In addition to the different forms of franchising there are three different types of franchising, i.e. service, distribution and industrial franchising. **Service franchising** is used by service companies, for example in fast-food area and by hotel and restaurant chains. Manufacturing companies and retailing firms, e.g. car manufacturers and clothing producers, use **distribution franchising** in order to establish an effective distribution network. The latest type of franchising is **industrial franchising** which requires the largest package to be transferred to the franchisee because not only the trademark and marketing know-how but also the manufacturing and technological know-how has to be transferred. (Luostarinen & Welch 1990, 73) This paper discusses international franchising in general terms without specifying the different forms of business format franchising. Yet, the survey mainly concerns enterprises in the area of distribution and service franchising and therefore the findings can be only carefully and partly applied on industrial types of franchising.

1.4 STRUCTURE OF THE STUDY

The study assumes that in addition to the basic idea of franchising, i.e. the standardised franchising package, there are two separate powerful forces that affect the question of adaptation versus standardisation of the franchising package transformed abroad to new markets. These forces include the globalization of markets and cultural differences among markets. There are also some other factors influencing this issue, like government regulations and the stage of economic development in a particular market, but these issues are not discussed in this paper and are therefore left out also in the figure of the structure of the study (see Figure 1). The study concentrates on the impact of cultural differences on franchising package and, as closely related, the issue of globalization of markets is investigated in the paper. In fact, these two forces have an opposite impact on the question whether the franchising package should be adapted or not and therefore one cannot be thoroughly examined without another. Both the basic idea of franchising and the globalization factor speak for the standardisation. Nevertheless, the cultural differences in the international consumer behaviour demand adaptation of the franchising package in order of business to succeed in a different environment.

Figure 1. Structure of the Study



The next chapter reviews the previous literature of the subject. The chapter is divided into five sections. In the first section the main aspects of international franchising are discussed: first, the current situation of international franchising, second, the contents of the franchising package and third, the problems in international franchising are analysed. The second section of the literature review focuses on the impact of cultural differences on the international consumer behaviour. Finally, the third section concentrates on analysing the question of standardisation versus adaptation in international franchising.

The third chapter describes the methodology used in the empirical research in the study. In the fourth chapter the findings of the research are analysed and compared to the previous research. Finally, the conclusions of the research are drawn in the fifth chapter.

2. LITERATURE REVIEW

2.1 INTERNATIONAL FRANCHISING

The section concentrates on discussing the main aspects in international franchising. First, today's situation of international franchising is examined, specifically from the US and European as well as from the Scandinavian and Finnish franchisors' point of view. The second section analyses the contents of the franchising package that is transformed abroad in international franchising. Finally, problems occurring in international franchising are discussed.

2.1.1 International Franchising Today

US Franchisors

In the USA, the home of franchising, today about 40 % of all retail sales is generated from franchising (Wathén 1996). In other words, 10% of the US annual gross domestic product comes from franchising operations (Laakso 1995, 83). Nevertheless, it has to be remembered that product and tradename franchising accounts for about 70 % of all US franchising sales which is not the focus on this paper (Falbe & Dandridge 1992, 43). About one fifth of all US franchising chains operate internationally, the number of US franchisors abroad has increased from 156 companies in 1971 to 374 in 1988 (Hayes 1990, 3). Even more impressive the figure is when looking at the actual US-based units abroad, for in 1971 there were 3,365 of them compared to more than 35,000 units in 1988 (ibid.). Most today's largest franchising chains internationally originate from the USA, McDonald's being one of the most well-known. Of net sales of McDonald's even 45 % comes from international operations (McIntyre & Huszagh 1995, 40).

In the future the US franchising companies may seek even keener business opportunities abroad and thus move on to international franchising processes (Aydin & Kacker 1990, 44). This may happen due to the fact that in the United States franchising has expanded steadily already for the past two decades and the franchising sector appears to have already reached the saturation point there (ibid.). Another possible consequence may be the movement to franchising in new industries or to new franchising strategies, like mobile franchising.

Mobile franchising is based around a product and / or service that can be directly brought to the consumer. Mobile franchising can be characterised to be business format franchising with mobility added to it. (Preble & Hoffman 1994, 7) This is a fast-growing format of franchising in the USA and Preble & Hoffman (1994, 8) state that mobile franchising could be the answer to one of the most common problems of today: the lack of time. For example, the mobile franchisees can go directly to the customer to clean and repair shoes, or to design furnishings in the homes of busy families, or even to perform the bookkeeping for the firms (ibid.).

European Franchisors

In Europe franchising has expanded slowly when compared to the rapid development of franchising in the USA, it was estimated in 1990 that franchise sales accounted for only about 10 % of the EC retail sales (Zeidman & Feirman 1990, 21). The furthest developed European countries in franchising business are France, the UK, Italy, Germany and the Netherlands when evaluating the development stage on the basis of franchising units operating in the country (Laakso 1995, 86). However, as previously mentioned, the franchising business can be expected to expand in the EU area now after the implementation of

the Single Market. Some European franchisors have also taken their franchising concepts successfully in international market, like Body Shop, Yves Rocher and Benetton (Welch 1992, 84). Zeidman and Freiman (1990, 24) argue that in Europe a highly competitive environment provides good chances for franchising to expand further and the trend of European entrepreneurs' eagerness to own franchises of foreign franchisors will continue and even accelerate. Eastern Europe will also surely attract more foreign franchisors in the future due to its fast-growing markets and huge demand for Western products (Laakso 1995, 85).

Scandinavian Franchisors

In Scandinavia franchising is even younger than in the EU in general, consequently also the figures of operating units are smaller. Sweden is the most developed Scandinavian country in this respect having the total of about 200 franchising chains operating and franchise sales accounting for nearly 10 % of all retail sales (Wathén 1996). In 1990 already 30 Swedish franchising chains also operated on foreign markets (Ahvenainen 1990, 58).

Finnish Franchisors

Foreign franchising companies came into Finland in the 70s but it was not until in the late 80s when the Finnish companies actively started to establish franchising operations (Röyskö 1994, 5). Since then the expansion of Finnish franchising business has been rapid (Laakso 1995, 88).

The first Finnish franchisor was Seppälä that operates on clothing business and established its first franchising unit in 1976 (Laakso

1995, 88). Other examples of Finnish franchising chains are Tiimari, Café Picnic and Kotipizza, Europe's second-largest pizza chain (Laakso 1998, 22). The total number of Finnish franchising chains is 76 with the total turnover of 7.1 billion marks in 1996 (European Franchise Federation 1998, 9). The chains have 2,367 operating units of which 1,464 are franchisee operated (ibid.) and they employ almost 15,000 people (Kauppalehti 1998). It has been estimated that the number of Finnish franchisees doubles by the year 2000 (ibid.). The largest franchising chain in Finland measured by the number of operating units is "R-kiosk" -chain owned by Rautakirja, the chain had the total of 750 units operating in Finland in 1997, of which 265 were franchisee operated (Suomen Franchising Yhdistys 1997). In addition to Finland, R-kiosk operates in Estonia where it has 34 outlets. The chain was selected as "Franchising Chain of the Year 1998" by Finnish franchising association (Kauppalehti 1998).

There are only a few Finnish franchising chains which have already started international operations, for instance Hesburger, David Back Clinic, Arnold's Donuts and R-kiosks (see e.g. Seies 1994, 56 and Sahiluoma 1997, 40). Of Finnish franchisors David Back Clinic has been operating abroad the longest and the company also has the widest network of foreign franchising units, the total amount of 66 in eight countries; Sweden, Norway, Germany, Switzerland, the USA, Luxembourg, Holland and South Africa (Suomen Franchising Yhdistys 1997). The establishment of this medical franchising chain, treatment of back illnesses was very innovative also worldwide bringing a totally new business area in franchising (Virolainen 1995).

Studies have indicated that when the franchising has been operating in a country for about 15 years, the first domestic franchising companies start their internationalization processes (Laakso 1995, 90). Some

evidence of this proportion can also be found in Finland as for example Hesburger had been operating just 15 years on the domestic market before establishing their first unit abroad, in Hamburg, Germany, just a couple of years ago (Kauppalehti 1996b). On the other hand, Arnold's Donuts established its first franchising unit abroad, in Stockholm, Sweden, in 1997, only six years after opening its first unit in Finland (Sahiluoma 1997, 40). Therefore, it could be expected that in the near future even more Finnish companies start their international franchising operations. Consequently, the Finnish franchisors already abroad will probably constantly expand their chains both in the countries they are already in and to new markets. For example, Hesburger operates now in Germany and Estonia and has continuous plans of expanding the chain further in both countries as well as of penetrating into other Baltic markets (Himanen 1996, Kauppalehti 1997).

Furthermore, it can be expected that also new foreign franchisors will extend their businesses into the Finnish market and old ones continue their expansion. For example, the expansion speed of McDonald's in Finland is one of the highest in the whole of Europe (Jalkanen 1996, 36). This leads to a fiercer competition on the domestic market and is likely to contribute to the internationalization of Finnish franchisors.

In general, it is very likely that international franchising will continue its growing trend also in the future. Moreover, it can be expected that franchisors take cultural differences more carefully into account since operations are being started in many new diverse locations such as new emerging markets of Far East where the culture can be really different from the franchisor's own one. However, a major challenge for them is to find the right balance of standardisation versus adaptation of their products and services so that both the customers can be kept

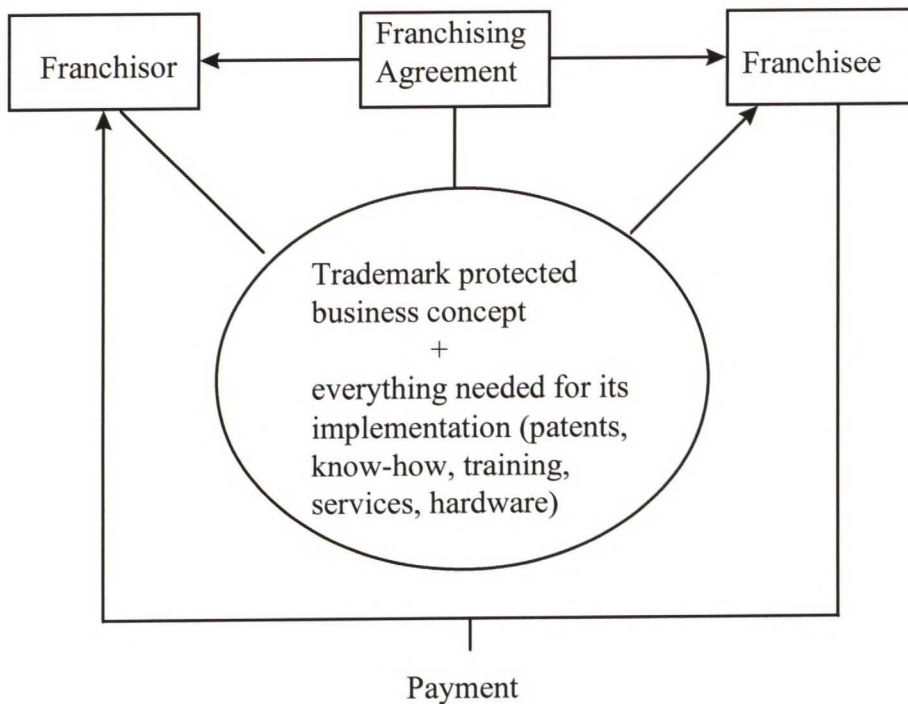
satisfied and still maintain the uniform core of franchising package (Welch 1992, 87).

2.1.2 Franchising Package

The core of all franchising business is a sound and standard franchising package. The main idea of franchising is namely standardisation which does not mean a 100% uniformity but international recognizability (Czinkota et al. 1992, 279). Therefore a cohesive franchising package is the basis for reliability of a franchising chain.

Franchising agreement includes typically some combination of know-how, equipment, training, services, patents and brand name which form a standard franchising package that is transferred to the franchisee by the franchisor (Luostarinen & Welch 1990, 74). The franchisee buys this package from the franchisor and as a payment many kinds of arrangements can be used. Usually the payment includes an initial investment, which consists of a franchise fee and investments on hardware, plus royalties. In addition, the franchisees usually pay other mark-ups and contributions to the franchisor, like rent and marketing charges. (ibid.) Elements of the franchising package are illustrated in Figure 2.

Figure 2. Franchising Package



Source: Luostarinen & Welch 1990, 75 (adapted)

Franchise Fees and Royalties

The franchise fees and royalties vary a lot depending mostly on the size of the business (Luostarinen & Welch 1990, 74). In Finland, the franchisees initially need to invest 250,000 FIM on average, which includes the franchise fee of on average 50,000 FIM (Seies 1994, 56). However, it has to be emphasized that this is really an average and the actual payments vary a lot, for example McDonald's charges an initial investment of about 3,000,000 FIM (Laakso 1995, 20).

Royalties are the most important source of income for the franchisor for they are paid continuously. In Finland, the average rate of royalty is 5% of the turnover (Seies 1994, 56). In addition, the franchisors are collecting marketing fees based on the turnover of the franchisees

since in the most cases it is the franchisor who is in charge of marketing. This is one of the common practices in franchising in order to maintain a cohesive line in advertising and other marketing efforts. McDonald's which is one of the biggest advertisers on TV in Finland explains the percentual base for marketing charges, when the franchisee's business grows, also his share of the common advertising increases (Jalkanen 1996, 36). In Finland the average for marketing charges in 1994 was 2 % of the turnover (Seies 1994, 56).

In addition to the payments, the franchisor gets an essential know-how from a motivated franchisee that is the basis for a successful business. Especially the franchisee's local knowledge helps a lot in running the business well since cultural differences can be better taken into account.

Long Term Relationship

The length of the franchise contract is usually quite long since the idea of franchising is to have a long term cooperation between the franchisor and the franchisee. According to the British experience an average length of contract was 5.6 years, with a variation from 3 to 15 years (Luostarinen & Welch 1990, 75). Laakso (1995, 10) revealed that the contracts were concluded in most cases for over 6 years.

In addition to the actual franchising package, the franchisee gets support from the franchisor which is essential for the success of the franchise. For example, the franchisor usually promises that he does not arrange any competitors for the franchisee in his region. (Fiilin 1982, 38)

2.1.3 Problems in International Franchising

In this section the main problems occurring in international franchising are discussed. The section focuses on the typical problems in franchising as an international operation mode and limits the general problems in international business out of the scope. The problems taken under examination are the questions of control and franchisee disaffection, finding the suitable sites, coping with the legal issues, protecting the intellectual property, timing the internationalization process, dealing with the various languages and handling the cultural differences in the consumer behaviour.

Control and Franchisee Disaffection

One of the most problematic issues for the franchisor is how to maintain control over the franchisees. Particularly in international franchising this is a general problem due to the geographical and cultural distance (Polvinen 1995, 20). However, the most important factor for the success of franchise is the motivation of the franchisee to operate an independent business (Falbe & Dandridge 1992, 47). Therefore, it is of the utmost importance for the franchisor to initially select the franchisees very carefully. Especially when franchise is established as a result of the franchisee inquiry it is easy just to accept the offer without checking the background and motivation of the potential franchisee carefully.

In addition, when the relationship with the franchisee is taken well care of and the continuous contact is maintained, many of the problems of control can be avoided (Luostarinen & Welch 1990, 84). After all, the bad reputation of one unit can in the worst case have a negative impact on the operation of the whole franchising chain (Röyskö 1994,

5). Furthermore, it is increasingly recommended to create information systems not only to link the franchisor to the franchisees but also the franchisees with each other. Thus the franchisees can change their experiences and this may help to improve the whole franchising concept. (Polvinen 1995, 20)

Sites

In the most franchise businesses it is critical for success that suitable sites for franchises are available, which may not always be the case. It is usual that franchising companies want to own their sites in order to avoid the risks involved in renting. For example, it is said that McDonald's operates the largest real estate business in the world (Welch 1995). Research indicates that problems often occur with finding suitable locations (Luostarinen & Welch 1990, 85). Many franchisors even wait for years for a perfect site to be available. The evidence shows that in many cases it is really worth waiting for a site instead of satisfying with a not so good one. For instance, the international franchising chain Burger King failed in its attempt to penetrate into the Finnish market due to its wrong choice of the location of its hamburger restaurant in Helsinki (Illi 1988, 65). On the contrary, Body Shop has shown excellent patience in waiting for appropriate sites when not straight available. Partly due to that, the chain has succeeded so well in international franchising. For example, in a Finnish town, Kuopio, the company waited for three years before it found a satisfying site (Luhanto 1993, 17) .

Legal Issues

Usually legal issues always cause some problems when penetrating a foreign market but in franchising legal issues may be problematic

because in many countries there are no specific laws covering franchising (Luostarinen & Welch 1990, 85). In the USA where franchising has the longest history there are detailed laws regulating the franchisor-franchisee relationship (Chan & Justis 1992, 85). Thus franchising has good conditions to expand there because both parties know what to expect and what can be demanded in the relationship. On the other hand, the foreign franchisors penetrating the US market often find the tight regulations as a very difficult problem in the penetrating process (Welch 1990, 117). In the US there are also a new tendency that the franchisees are well prepared to take legal action against a franchisor. This can be a real threat to a franchisor, especially when franchisees are grouping together and thus gain significant strength in their actions. (Welch 1992, 92)

In Finland we do not have any specific legislation covering franchising, only regulations in different laws that are applied also in franchising relationships (Nieminen 1995, 3). Neither has the EU any franchising legislation, there are only the general antitrust provisions in the Treaty of Rome and in addition the competition law of each member state (Chan & Justis 1992, 85).

In recent years the Finnish Franchising Association (Suomen Franchising Yhdistys) has tried to involve in this problem of lacking laws concerning franchising in Finland. The association published their first ethical rules already in 1989, just a year after the establishment of the association (Luukkanen 1996, 8). In 1995 the association revealed a new set of rules which are much more detailed and wider than the original ones. All the franchisors operating in Finland, both domestic and foreign, which are members of the Finnish Franchising Association, are committed to follow these rules in all their operations in the country. (ibid.) Today the number of the members is 17 chains

(Suomen Franchising Yhdistys 1998), which accounts for about one fifth of all the franchising chains in Finland.

Intellectual Property

One of the first pre-activities when entering a foreign market is to protect all trademarks, patents, designs and copyrights on a new market so that they cannot be copied by imitators. After all, these form an essential part of the franchising package to be sold to a franchisee and therefore it is of utmost importance to take care of an appropriate protection. However, in spite of protection, the problem of imitators cannot be totally eliminated since franchising is a highly visible and open operation mode that includes many aspects that can not be protected, such as the general mode of operation (Luostarinen & Welch 1990, 85).

Timing

Timing is one of the most critical issues in the internationalization process of franchising. Before starting any international operations the franchisor has to have a proven and well developed franchising package in order to avoid a failure on a foreign market (Luostarinen & Welch 1990, 88). Principally, the franchisors do operate first domestically before starting any international operations (Welch 1989, 12). In this way they gather the knowledge and the confidence required in order to succeed internationally, and during the learning process the franchisors also learn how to adapt their franchising method to a foreign market (ibid.).

Research has shown that most of the franchising companies go into the international arena due to the interest of foreign potential

franchisees (Welch 1992, 84). In this case there may be a danger of the market to be closed, if the inquiries are not answered, since the potential franchisees may approach the competitors instead (Welch 1989, 18). On the other hand, it has to be considered carefully if one is ready to go into a foreign market when there are outside inquiries tempting to penetrate the market. Although establishing a franchise abroad is financially a cheaper way to go international than foreign direct investment, it still requires a financial commitment as a part of the total commitment. Hayes (1990, 4) points out that even if the franchisor has the money it has to be questioned whether he can also afford the time needed to establish connections on a foreign market without hurting the existing domestic franchising network.

Even though the careful selection of the franchisees requires time and thus too rapid movement to the foreign markets cannot be recommended, the previously mentioned factor of possible imitators cannot be neglected. In order to avoid the imitators the franchisor has to be rapid enough with its movements when internationalizing its business (Luostarinen & Welch 1990, 88). This contradiction make the problem of timing even more complicated.

Another problem in franchisee inquiries is that there is a danger of a bad choice of a partner if the motivations and backgrounds of a potential franchisee are not investigated carefully enough. Axberg (1993, 125) states that it is the franchisor who should take an initiative and choose timing and a franchisee and not let a franchisee choose him.

Language

In a study covering the problems that the US franchisors had in their international operations it was found that both language and cultural barriers as well as the adaptation of a franchise package to local markets were among the problems most often occurred (Hackett 1976, in Czinkota et al. 1992, 281). As far as language is concerned the close relationship between the culture with its basic values and language has to be taken into consideration since one cannot learn a culture without knowing the language of it, and vice versa (Ferraro 1994, 41). For example, some African languages do not have any past or future tenses due to their temporal orientation that differs greatly from ours in Western countries (Samli 1995, 25). In addition, knowing the language of a foreign partner creates the base for mutual trust and respect that forms the basis of international business (Ferraro 1994, 42).

Even if knowing the language of the foreign market, in which franchises are established, hazards may still occur. With translations one has to be really careful for in many cases a straight translation has a totally different meaning in a different language. Back-translation may help to solve this problem. There are numerous examples of failed US advertising campaigns on foreign markets due to poor translations (Ferraro 1994, 43).

In addition to advertising, in international franchising manuals, handbooks etc. may need to be translated into a foreign language.

Cultural Differences in Consumer Behaviour

In international franchising a franchisor needs to pay a great attention to the cultural differences in the international consumer behaviour and their impact on franchising. The degree of differences varies from foreign market to foreign market and includes among others varying consumer habits and preferences, like tastes. If cultural differences are totally ignored it may cause in the worst case the whole penetration process on a foreign market to fail. The basic question is whether the standard package should be adapted to suit a different culture. In fact, research indicates that cultural adaptability is one of the main specific skills that are needed for international development (Fladmoe-Lindquist 1996, 433). Since the influence of the cultural differences on the franchising concept is one of the key concerns of this study the issue will be discussed in the next section in greater detail.

2.2 CULTURAL DIFFERENCES VERSUS GLOBALIZATION OF CONSUMER PREFERENCES

In this section the opposite views of cultural differences in international consumer behaviour and of globalization of consumer preferences are analysed. On the one hand, research indicates that consumer behaviour is substantially modified by culture (Samli 1995, 9). On the other hand, it is argued, like by Levitt (1983), that consumer preferences are globalizing and thus cultural differences are vanishing in the world.

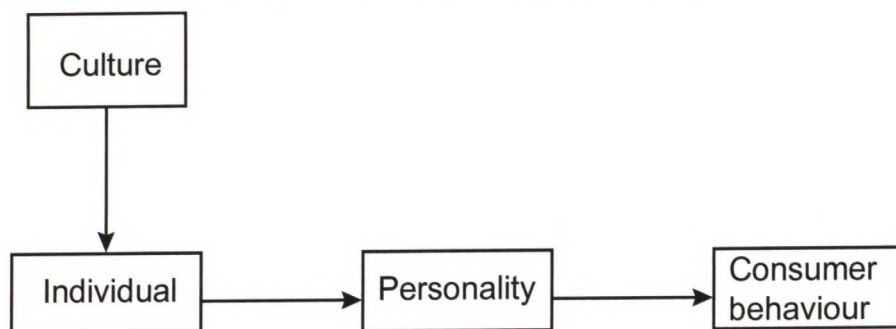
As the decision on standardisation versus adaptation in international franchising depends greatly on international consumer behaviour, whether it is similar or different in different countries, the impact of

cultural differences on international consumer behaviour will be discussed next.

2.2.1 Role of Culture in International Consumer Behaviour

It is stated that culture is the primary determinant of the consumer needs and wants (Friedmann 1986, 98). He (1986, 103) argues that one of the most powerful factors that are influencing consumer choices is the psychological meaning of products which is very much culturally bound. Lipman (1988, in Jain 1989, 73) supports the statement by arguing that the products people buy, the attributes they value, and the principals whose opinions they accept are all culture-based choices. Consequently, Douglas and Dubois (1977, in Friedmann 1986, 98) explain the culture as a focal point of differences in consumer behaviour. They argue that culture reflects a society's common set of values, prevailing roles and status positions, acceptable social conventions, rituals and practices as well as characteristic daily-life routines and rhythms. Likewise, Wallace (1964, in Samli 1995, 12) associates consumer behaviour directly with culture due to the great impact of culture on personality that is the key determinant of consumer behaviour. The role of culture in consumer behaviour is illustrated in Figure 3.

Figure 3. Role of Culture in Consumer Behaviour



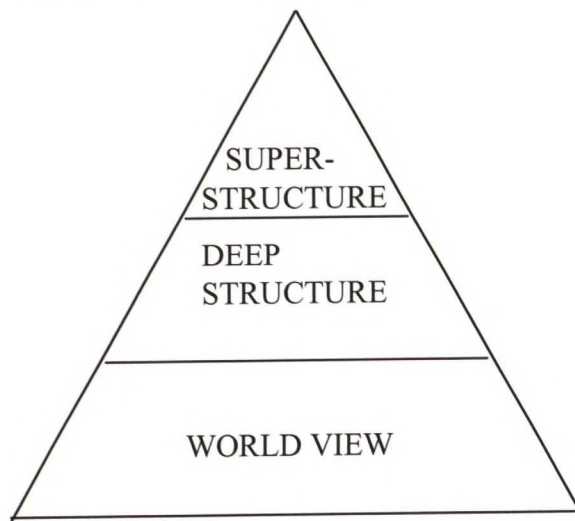
Source: MacGregor 1983, in Samli 1995, 57 (adapted).

What Is Culture?

Culture is a widely investigated research area and obviously there are as many definitions of culture as there is research made on a subject. As its simplest, culture can be said to be the link between the individuals living in the same society (Zaltman 1965, in Samli 1995, 9). One of the most well-known researchers of cultural differences, Hofstede, has defined culture as “the collective programming of mind which distinguishes the members of one group or category of people from another” (1991, 5). The statement includes the facts that culture is learned, not inherited and it is one’s social environment that “teaches” culture (ibid.). On the other hand, culture cannot be taken as an end-product that is not going to change any more, but rather as a dynamic system that is always in motion (Chung 1991, in Samli 1995, 9).

According to Karppinen-Shetta (1995), culture can be seen as three layers; superstructure, deep structure and world view, which are illustrated in Figure 4. First, superstructure is a level of culture that can be seen most clearly and easily when analysing a different culture. The level includes all visible elements of culture, like language, tastes and habits. Consequently, deep structure is a deeper level of culture that consists of norms, assumptions, ethics, moral and values affecting in every culture behind the scene. Finally, world view is the deepest level of culture in which there is an aim to understand the relationship with reality and human nature. (ibid.)

Figure 4. Levels of Culture



Source: Karppinen-Shetta 1995.

It may seem at first hand that it is the superstructure level that affects mostly the issue of standardisation versus adaptation in international franchising. Largely this statement holds true as tastes and habits are very important factors concerning the possible adaptation of a product and a franchising package. However, the cultural differences in consumer behaviour cannot be thoroughly explained by cultural superstructure. In addition, there are norms, values and additions that lie behind the consumer choices and preferences, i.e. factors of deep structure level.

As an illustration of the factors of deep structure level affecting consumer behaviour is the dimension of collectivism versus individualism. Most of the traditional marketing literature, including Figure 3 presented previously, assumes that consumers are individuals who make their own decisions. However, this is not always the case in reality, especially not in collectivist countries where the family is prevailed over an individual, like in China and other Asian countries. There, when one makes a purchase decision, which may seem very

simple to us individualistic Westerns, one must always take into account all the members of the family (Usunier 1993, 16).

In conclusion, it may be easier to pay attention to cultural differences when entering a culturally very distant country, like Saudi Arabia is for Finland. Yet, it has to be remembered that cultural differences lie everywhere, for instance US firms may try to create some pan-European ideal for their products when entering the growing franchising market of the EU (Chan & Justis 1992, 85). Nevertheless, even though the EU has been removing its internal barriers it will always consist of different cultures with different tastes, habits and consumer preferences. Consequently, it has to be remembered that even inside of one country there may be major cultural differences that do not always follow the national borders. For example, in Belgium there are three different language areas and the consumer buying habits differ from one region to another (European Franchise Federation 1998, 5). On the other hand, this fact is clearly in contradiction to the theory of globalization of consumer preferences which will be outlined in the next section.

2.2.2 Globalization of Consumer Preferences

In recent years, there has been a growing tendency to regard the world as one big global market without any cultural boundaries that create differences in the consumer behaviour. One of the strongest proponents of globalization is Levitt (1983, 92) arguing that "gone are accustomed differences in national or regional preference". The main idea of globalization is that markets have become so homogenized that companies can sell the same products and services through standardised marketing program all around the world (Levitt 1983, 93).

According to Levitt the standardisation is a must for companies in order to achieve remarkable cost advantages (ibid.).

Factors contributing to globalization include for example increasing electronic information, global media and communications as well as increasing travelling of consumers (Vandermerwe 1989, 268). As consumers travel more and see interesting products and services abroad, they will be motivated to buy the same things also on their home market. Fast and far developed communication has the same consequence when people get familiar with foreign products through sky channels on TV or through Internet and as a result are eager to purchase those products. This blending of customer preferences and increased mobility may over time make differences between customers from different cultures less apparent than similarities (ibid.).

Consequently, when a consumer buys a product or service on some market and finds his purchase superior, he will want to buy exactly the same product on another market. Therefore, he may be disappointed if the corresponding product was not the same in its outlook, taste or other features on another market. As a conclusion, adaptation to cultural differences cannot be suggested while consumers demand standard products throughout the world. Many franchisors may find this just a perfect and the easiest solution in internationalizing their franchising chains when there is no concern of cultural differences or possible adaptation of the franchising package.

However, due to the lacking evidence of globalization it can be stated that culture still has a major impact on consumer behaviour. Therefore, one of the most important focal points in international marketing is to investigate the cultural differences instead of similarities. Thus, by analysing the culture, consumer behaviour can be predicted and

differences can be explained. The differences lead to the pressure for adapting the franchising package in internationalizing franchising operations. However, the basic idea of franchising is standardisation and hence the question of standardisation versus adaptation is not a trivial one. The issue is analysed in further detail in the next section.

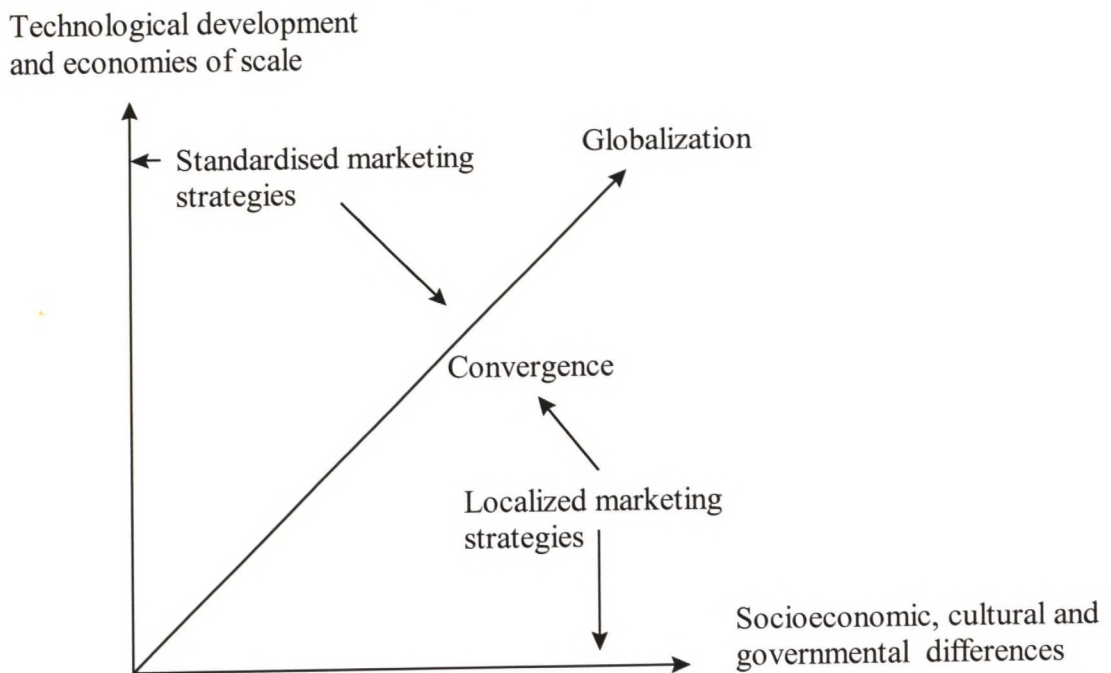
2.3 STANDARDISATION VERSUS ADAPTATION

2.3.1 Standardisation versus Adaptation on Global Market

Standardisation is the main idea of franchising since a standardised franchising package is easier to transform abroad and it brings a uniform image to the whole franchising chain. In addition, the previously discussed globalization factors speak for standardisation. However, copious research shows that the cultural differences are not vanished in the world, like Levitt (1983) argued, but still exist and therefore cannot be ignored in international marketing (e.g. Eshghi & Sheth 1985 and Cavusgil et al. 1993). Therefore, the transferability of the franchise system becomes a function of the cultural distance between the foreign and domestic markets and standardisation may complicate the successful replication of a franchise system to a culturally distant market (Fladmoe-Lindquist 1996, 425).

Interestingly, the main finding in the recent research has been that standardisation and adaptation are not mutually exclusive which has been the traditional way of thinking. Instead, standardisation and adaptation have been found to be extreme ends of the same continuum (Cavusgil et al. 1993, 483). Figure 5 exemplifies this statement of continuum.

Figure 5. Standardisation versus Adaptation on Global Market



Source: Kaynak (1985, 14)

In the literature standardisation of marketing strategy has been usually divided in two aspects; first, the standardisation of a marketing program and second, of a marketing process (see e.g. Jain 1989, 71). The term program means various factors of marketing mix (product, price, place and promotion) whereas process implies tools aiding in program implementation (ibid.). As stated earlier, there was only a limited amount of research to be found concerning the issue in international franchising but numerous papers discuss standardisation versus adaptation in international marketing strategies in general (e.g. Jain 1989 and Cavusgil et al. 1993). In this study, the previously investigated issue of standardisation versus adaptation in marketing program is applied to international franchising.

According to Jain (1989) there are three market conditions that have an influence on the standardisation decision; cultural differences,

economic differences and differences in customer perceptions. As stated in the structure of this study, economic differences are limited out of the scope of the research. Consequently, cultural differences have a critical impact on customer perceptions which are thus not discussed separately. Therefore, this paper only discusses cultural differences as the most important factor affecting the decision of standardisation versus adaptation.

In consequence, it is assumed that international franchising is not able to work most effectively if the franchising package is totally standardised without any adaptations to different cultures, not even to very distant cultures. Thus, the basic assumption is that cultural differences should not and cannot be ignored in internationalizing a franchising concept in order to achieve the best possible result. It appears to be relevant to regard cultural differences as the basis for determining the appropriate degree of standardisation versus adaptation in international franchising due to the previously discussed close link between culture and consumer behaviour. For example, Douglas and Dubois (1977, in Friedmann 1986, 98) state that culture can be seen as a powerful discriminating variable for strategic considerations in international market efforts.

On the other hand, it has to be taken into account that standardisation and adaptation are the extreme ends of the same continuum, as previously stated. Hence, despite the cultural differences, the total adaptation is not a preference but to find a suitable degree of it, which varies case by case. Additionally, the different elements of marketing program may require varying degrees of adaptation (Cavusgil et al. 1993, 500).

In practice, the degree of adaptation also varies according to a firm's own experience. It is usual that an inexperienced firm seeks the closest match between its offerings and foreign market conditions so that only slight modifications are required (Cavusgil et al. 1993). On the other hand, a firm that has gained more experience in international business is more capable of adapting their products due to their higher appreciation of the cultural differences (ibid.).

In fact, the critical skill for successful international franchisors is the ability to recognize and appreciate the elements of a foreign environment that can adversely affect the successful transfer of a franchising package (Fladmoe-Lindquist 1996, 425). This kind of alertness may be even far more important than a specific knowledge concerning one particular country since this is a general skill that can be taken advantage of in every penetration into new markets instead of being a "disposable" knowledge (ibid.). Having a high level of alertness every country can be entered using a different approach reflecting an awareness of the different national tastes, regulations and franchise partners (Fladmoe-Lindquist 1996, 429).

Research indicates that one additional thing speaking for adaptation is the finding that global strategies are more suitable in technology-intensive industries, such as computers and aircraft, than in "old-line" industries, like food and clothing (Cavusgil et al. 1993, 488). On the other hand, various studies (e.g. Bakker 1977 and Picard 1986 in Jain 1989, 74) indicate that standardisation is more feasible for industrial goods than for consumer goods. Consequently, Douglas and Urban (1977, in Jain 1989, 74) argue that among consumer goods durables offer better opportunities for standardisation than nondurables because the latter appeal to tastes, habits and customs which vary among different cultures. After all, these categories of both "old-line" industries

and nondurable consumer goods are the ones into which also most of the franchising businesses fall. This supports the basic assumption of this paper that adaptation is a key to success in international franchising.

2.3.2 Standardisation versus Adaptation of Franchising Package

The importance of adjusting the franchising package to suit different cultures is growing continuously. Still a few decades ago (in 1976) Hackett's survey (in Welch 1989, 8) indicated that almost half (41%) of the respondents had reported "no major changes in their franchise marketing package for overseas ventures". Nevertheless, there were 25 per cent of the companies, especially in the fast-food area, reporting that they had made significant alterations of franchised goods or service in order to make them better suit local conditions (in Andersson-Tuominen 1990, 52). Interestingly, the most recent study of Hopkins (1996) revealed that 60 per cent of the respondents felt that although their demand may be affected by cultural differences, most of them felt that maintaining standardisation was more important than adaptation.

According to the study (in Seltz 1982, 236, 237) conducted in the late 70s by the Department of Marketing at De Paul University, Chicago, in the USA, there are basically three approaches that can be used when considering whether standardisation or adaptation should be carried out. First, a company can develop separate marketing strategies for each country. An example of a company applying that strategy is a British franchisor, Tie Rack, which has entered each international market using a different approach reflecting an awareness of the different national tastes, regulations and franchise partners (Fladmoe-Lindquist 1996, 429). The second possible strategy for a franchisor is

to form groups of countries with similar characteristics in their cultures and construct marketing for each group individually. The third option is the total standardisation in which the whole world is seen as a single market with consumers having similar tastes and characteristics everywhere. The results of that survey indicated that 16 respondents out of 17 reported using the first strategy of developing different marketing policies for each country.

As far as the international marketing strategy of a franchisor is concerned, the most important element in the marketing mix that may need adaptation is the product or service sold in franchising units. This question will be analysed in the next section. Following that, adaptation decisions concerning place and promotion will be discussed. The fourth element in the marketing program is price. Nevertheless, a deeper analysis of the price setting is limited outside of this study due to the number of things having an effect on it. For example, there are numerous factors related to the standard of living on a foreign market in question, and these still form only a minor part of the total number of the factors lying behind the issue.

In addition, there may also be reason for adapting other elements of the franchising package. Manuals and all materials handed out to the franchisee have usually to be translated into the mother tongue of the franchisee since there is always a risk for misunderstanding when using a language other than mother tongue. Such a risk is hardly worth taking at the expense of the operation to fail. Therefore, it would be better to translate the materials even though the franchisee had a good knowledge of English, in case of a US franchisor.

Product or Service

The most visible element of the franchising package is the product or service that is sold to customers. Therefore the product is the most important issue to be taken into account in the adaptation decisions. Standardisation is a basic element of franchising and customers expect to get the same service or product at every location throughout the world (Falbe & Dandridge 1992, 48). However, when penetrating a market with a totally different culture from the one for which a product or service is developed it always has to be considered whether it has to be adapted. Even McDonald's has adapted its products to better suit different cultures. For example, in Germany beer is served in McDonald's restaurants which would be totally out of line in the US (Czinkota et al. 1992, 280). The most recent example of the adaptation made by McDonald's is the launch of a new product in Finland, McRuis, a hamburger made of rye bread instead of a wheat one. Rye bread is a very traditional and popular Finnish speciality and this new product was an immediate local success. (Sahiluoma 1998, 4) In an extreme case the franchisor may fail on a foreign market just because it has not adapted its products to suit local tastes and therefore it cannot compete with its local competitors that know what their customers want and are prepared to sell them suitable products (Polvinen 1995, 22). Engen (in Czinkota et al. 1992, 269) puts it this way:

“ One of the keys to selling your product in a foreign market is to make a product that people in that market will want to buy.”

When deciding whether the product should be adapted or not, the franchisor should analyse product in relation to its different attributes. The product attributes include three groups; physical, service and symbolic attributes (Usunier 1993, 223). In some cases it may be worth

considering to adapt all the attributes, whereas in some other markets it is enough to adapt only one or two of the three attributes.

First, the physical attributes consist of such characteristics of a product as size and taste (Usunier 1993, 223). Especially the preferences of the tastes are very much culturally-bound and therefore at least some of the ingredients of a fast-food product, for example, may need to be changed when expanding a franchising chain into a new market.

Second, the level of service is determined according to the service attributes which may also need adaptation in many cases. For example, in some countries the customers are used to get a quick and efficient service whereas in others the emphasis is put on more personal service. In addition, special services, like after-sales service, may be included in the service in some markets whereas in others there is no need to have such special services.

Third, the symbolic attributes include such product characteristics as colour, brand name or even smell (Usunier 1993, 232); due to the complicated nature of the symbolic attributes they may often need adaptation to cultural differences. It requires a thorough understanding of a culture to be aware of all the symbolic meanings of different characteristics. For example, red suggests good fortune in China but death in Turkey and lemon scent suggests freshness in the USA but in Philippines it is associated with illness (ibid.). Of blunders in brand names there are numerous examples and even books written about the subject (e.g. Ricks 1983, *Big Business Blunders - Mistakes in Multinational Marketing*). Therefore, it needs a special carefulness when planning a name for a product, as well as for a company, as it will be discussed in further detail in the section of promotion, since all the symbolic attributes communicate the promotional message from

the company as well. According to the basic idea of franchising, all outlets should communicate the same promotional message. If the different cultures where outlets are established have not been taken into account in the planning process of a brand name, it may jeopardise the cohesive image of a chain if the name has to be changed on every market. Naturally not all countries are always known in advance, where operations will be expanded in the future and therefore surprises are possible.

In the problems of cultural differences the local partner can usually help due to his knowledge of the local culture. Thus, it is usual that most of the innovations for new products originate from franchisees who know better what local customers want to buy and can sense new trends even though most of the research and development is made by the franchisor (Falbe & Dandridge 1992, 48). For example, in McDonald's most of their new menu additions are innovations of their franchisees (Shook & Shook 1993, 149). For instance, in the 1960s there was a problem in a restaurant in Cincinnati, Ohio. The restaurant was full six days a week but on Fridays always empty. After investigating the issue the franchisee realised that Catholics always ate fish on Fridays and McDonald's did not offer any fish portions. In consequence, he got an idea to add a fish sandwich to the menu in order to attract customers on Fridays. The idea proved to be an immediate success and soon after this Filet-o-Fish sandwich was sold in every McDonald's in the USA and now after 30 years the product continues to be a success around the world. (ibid.) Another example of McDonald's franchisees' innovations is the recent Finnish menu addition, already previously discussed McRuis (Sahiluoma 1998, 4).

However, it often takes a long time before the idea of a franchisee develops into an actual product, as previously mentioned. This process

can be accelerated by means of well established connections between franchisor and franchisee and even between franchisees themselves.

As discussed earlier, it has to be carefully considered what the appropriate degree of adaptation should be in order to avoid “over-adaptation”. This may have a negative impact on franchise if the customer does not meet the standardisation he or she expects. Indeed, according to Hopkins’ (1996) study unsuccessful entries of the respondents made proportionately more product or service changes (19%) than did more successful entries (12%). Hopkins (1996) argues that the focal point is the type of adaptations rather than their number which relates to the degree of success.

Promotion

Hopkins’ survey (1996) reveals that the most frequently used adaptations were those made in promotion and advertising. This represented over 20 per cent of all adaptations reported. Accordingly, Hackett’s previously discussed survey of 1976 (in Andersson-Tuominen 1990, 52) indicates that 34 per cent of US franchisors made alterations to other elements of their franchising package than product or service, for instance to logos, brand names, colour themes and architecture which all deliver the promotional message of the company. All of these elements are effected by the symbolic meanings which were also previously discussed. For example, colours really do have different meanings in different cultures so it is important to find out those possible differences in order to succeed in operations in a different cultural environment. A case in point is a US company that needed to change the colour of a green package when marketing its products to West Africa where green is a colour of death (Ferraro 1994, 31).

Moreover, there are several cases in which franchisors have had to change the name of the total franchising chain in a particular country, e.g. the US franchisor, Beef-a-Roo, was forced to change its name in the Australian market to Beef Ranch since the original name reminded Australian customers of kangaroos and therefore it did not suit the image that the company wanted to create of itself (Welch 1995).

However, changing the name of the franchising chain may cause problems in international franchising due to incoherent image of the brand. After all, the basic idea of franchising is international recognizability and if the name of the company must be changed totally in every country, it becomes difficult for the customers to recognize the different outlets belonging to the same franchising chain. The radical changes in the appearance of the outlets may have the same effect. Therefore, due to the importance of the brand identity, it is far more usual to maintain the same brand name on all markets even though other promotional elements would be adapted (Hopkins 1996, 16).

In addition, as far as advertising campaigns are concerned it should be carefully considered whether the same advertising campaigns suit all cultures. Traditionally, advertising is the most widely investigated of the marketing mix components in terms of adaptation (Jain 1989, 70) and due to the great number of factors affecting the decision of adaptation of advertising it is not discussed further in this paper.

All of these previously discussed elements in the franchising package that deliver the promotional message have an impact on the image of the franchising chain. Thus the basic question is what kind of image a franchising chain wants to communicate from itself to the world. Usually a franchising chain wants to create a strong brand around its concept and have a cohesive image throughout the world. In order to

do that the message should be clear and all the promotional channels should communicate the same message so that the customers can recognise the brand and be loyal to it. This naturally complicates the decisions on adaptation even further. On one hand, adaptation is needed in order to please different customer preferences in different cultures. On the other hand, the franchising package should not be adapted too much in order maintain the cohesive image.

Place

The place-related factors in franchising package include the opening hours, size as well as appearance and decoration of an outlet. First, when planning opening hours for a franchise, the cultural differences in the time orientation should be taken into account. The concept of time varies from polychronic to monochronic orientation and the same opening hours may not work in these different types of cultures. The time schedules are the most distinguishing factor between these two basic types since in monochronic cultures, like US and many of European cultures, including Finnish, time schedules play an extremely important role in every-day life. On the contrary, polychronic people, like in the south of Europe, do not give such appreciation for time and thus do not act according to time schedules but instead do tasks more when it feels like it and can do many different kinds of tasks simultaneously. In consequence, considerable differences can be seen in opening hours. For instance, almost every store, including banks and drugstores, is closed in the south of Europe for a couple of hours in the middle of the day due to siesta.

Furthermore, depending on people's time orientation in a culture, home delivery may also need to be taken under consideration since in monochronic cultures people may not be willing to spend their valuable

time in purchasing but preferably buy the needed products as home delivery. The previously discussed mobile franchising could be one answer to this question but it is far more usual that for example franchising companies in fast-food area have home delivery service in addition to fixed locations.

The second place-related component in franchising package is the size of the outlet that may need to be adapted to cultural differences. For instance, the differences between the eating habits in the collectivist and the individualist countries may pressure for adapting the size of the outlet. For collectivist people a family is more important than an individual whereas in individualist countries it is just the opposite. A consequence of this difference can be seen in the eating habits that vary between these two types of cultures. In collectivist countries, long meals together with the family are preferred whereas fast-food culture is highly common in individualistic countries. Thus, the restaurant sizes and the table sizes inside the restaurants may need to be larger in the collectivist markets than in the individualist ones.

Another factor effecting the question of the size of the outlet is the cultural differences in the need of private space. There are certain territorial imperatives in all cultures. In some cultures people need more private space than in others. For example, in the USA people are used to have large private space around them and even the smallest children have their own separate rooms in the house. On the contrary, in many Asian countries people do not mind travelling in overcrowded public transportation facilities as they do not need such a large private space. (Samli 1995, 26) In addition to public transportation, for example in restaurant or retailer business, firms should consider this aspect when adapting the size of their outlets to fit the local preferences.

Finally, as far as the appearance of the outlet is concerned, there are again fore and foremost the culture-bound symbolic meanings of colours and shapes that should be born in mind when planning the decoration in the outlet. An example of the firm that has adapted the appearance of its outlets is again a successful franchised hamburger operation which resembles a “pub” in England and a “Bierstube” in Germany (Seltz 1982, 235).

Finding the Right Balance

As important it is to adapt a franchising package when necessary to suit a different culture it has to be remembered that costs for alterations may be considerable. Therefore, there is always a limit to the modifications that are worth making and the right balance should be sought after. As previously mentioned, if the franchising concept is altered too much it may even damage the uniform image of a franchise format (Polvinen 1995, 22). As a consequence, some franchisors are not prepared to alter their franchising packages at all since they find it as too large a threat for their concept (Welch 1992, 87).

McDonald's is again a perfect example of a firm that has found the right balance between standardisation and adaptation. The company has generally maintained standardisation in brand, logos, facility design, service and a core portion of its product line. Yet it has expanded the range of products to please the local tastes and preferences in several locations. Additionally, McDonald's has adapted its location and price substantially. Thus, even though McDonald's is widely regarded as one of the most standardised businesses in the world, it has in fact made numerous successful adaptations. (Hopkins 1996, 21)

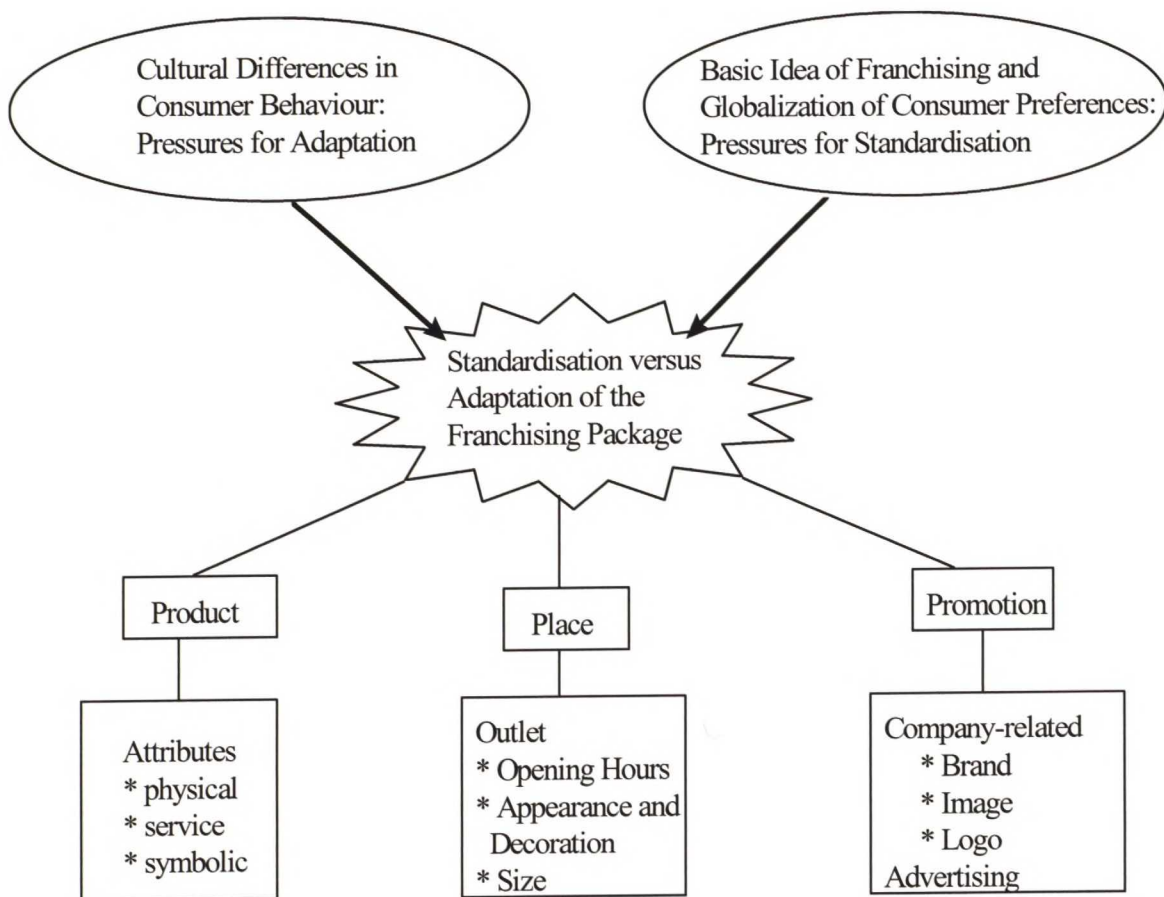
When considering the appropriate degree of adaptation a critical point is whether the franchisor is entering a culturally distant or a culturally similar market. According to Hopkins' (1996) study franchisors made proportionately more adaptations when entering different cultures than similar ones. In addition, the survey indicated that cultural differences require greater consideration in the business where individual tastes are more important. Thus, seven of the eight respondents representing food-related franchises believed that the demand for their product was likely to be affected by cultural differences (ibid.).

However, the hypothesis is made in this study that in order to achieve the best success in international markets, some adaptations have to be made to suit the different cultures. Hence, franchising package cannot be fully standardised even though there are some core components that must be maintained the same in order to perceive the cohesive image for all outlets in the chain. As a matter of fact, the importance of the cohesive image cannot be underestimated since based on the basic idea of franchising, consumers all over the world must recognise the outlets and products belonging to the same franchising chain.

2.4 THEORETICAL FRAMEWORK OF THE STUDY

As the conclusion of the literature review the theoretical framework of the study is presented in the Figure 6.

Figure 6. Theoretical Framework of the Study



It is assumed that there are two opposite forces effecting the consumer behaviour and thus the question of standardisation versus adaptation of the international franchising package. On one hand, cultural differences in consumer behaviour pressure the form into adapting the franchising package. On the other hand, globalization of consumer

preferences demand standardisation of the franchising concept. The study states that cultural differences have a larger impact on the consumer behaviour than globalization. Therefore, due to the differences in the consumer behaviour in various markets the study argues that these differences should be taken into account in international franchising in order to succeed. However, the question of standardisation versus adaptation is not such a trivial one as there is also another pressure into standardisation, namely the basic idea of franchising, a standardised franchising concept.

The main element in a franchising concept is a franchising package, which may need to be adapted to cultural differences. Nevertheless, the study points out that there are not only two strategic options in the issue, adaptation versus standardisation, but these are the ends of the same continuum. Therefore, the appropriate balance should be found on the continuum by carefully considering the degree of standardisation versus adaptation of the franchising package.

Consequently, the franchising package includes various elements which each has to be concerned separately - whether the element should be standardised or adapted and to which degree. The study examines the elements in three groups: first, product-related elements, second, place-related elements and third, promotion-related elements. As far as the product is concerned, the question of the possible adaptation should be analysed in relation to the product attributes. The product attributes consist of three groups; physical, service and symbolic attributes. When analysing the place-related elements the study focuses on the adaptation of an outlet, whether the opening hours, the appearance or the size of an outlet should be adapted to cultural differences. Finally, in the analysis of the promotion-related elements in the franchising package the study concentrates on

company-related factors, and the aim of the study is to find out whether the firm's brand name, image and/or logo should be adapted or standardised in international markets.

3. METHODOLOGY

In order to examine whether the franchise chains that are operating in Finland have adapted their franchise concepts when entering international markets a survey was considered to give the best empirical illustration to this question. A case study would only have given a single point of view and would not have explained the issue thoroughly.

At first, the purpose was to concentrate the survey on the Finnish franchisors that have started their international operations. Nevertheless, as franchising is still such a young business in Finland, there are just a few Finnish franchisors that really have entered the international arena. Therefore, this was regarded as far too a small sample for the survey.

Due to the previously mentioned facts it was decided to make a survey of all franchise chains operating in Finland today. Altogether, according to a yearly booklet of Finnish Franchising Association (Suomen Franchising-yhdistys 1997), there are 76 operating franchise chains in Finland. Of these chains, approximately two thirds are originated from Finland and one third from abroad. A return rate was estimated to become about 26%, i.e. 20 respondents. Thus, the survey was mailed to this sample of 76 franchise chains on the 17th of April, 1998. The letters were appointed to the persons responsible for the franchising operations whenever the name of the person was known. This information was available of 27 franchising chains in the same booklet of Finnish Franchising Association (Suomen Franchising-yhdistys 1997).

The letter included a cover letter and a four-page questionnaire. Both documents were written in Finnish as all receivers were Finnish-speaking (see Appendices 1 and 2). In the cover letter the receivers were asked to fill in the questionnaire and to return it by fax by the 29th of April, 1998. As an intensive, all the respondents were promised to be sent the summary of the survey results in the summer of 1998.

By the deadline 11 responses were received. Additionally, two responded that their companies do not, in fact, have any franchise operations. Furthermore, one letter was returned due to the wrong mailing information. Therefore, the sample was revised to be 73. This may raise the question of the reliability of the source on which the initial sample was based, i.e. the yearly publication from Finnish Franchising Association (Suomen Franchising-yhdistys 1997).

Shortly after the first deadline, on the 10th of May, the 62 franchise chains that did not respond were sent the same questionnaire with a modified cover letter (see Appendix 3) in which they were reminded of the survey and asked to respond as soon as possible. 24 out of the 62 was selected as the most potential group having international operations. This group received the follow-up contact by mail. To the rest 38 the questionnaire and the cover letter were faxed. After the second contact six new responses were received. Thus, the total number of the responses were 17. Nevertheless, one of the respondents had only filled in the name and the line of business of their company. Additionally, he had written an extra comment that "We are a franchisor and operate only domestically." Therefore, this response had to be abandoned as unusable.

By 16 valid responses the return rate of the survey reached 22%. This can be considered to be satisfactory even though the goal of receiving

20 responses was not reached. Due to the fact that in Finland the franchising business is still young, the number of franchise chains operating in the country is quite small and thus the sample in the survey is quite small as well. 16 responses is not very high as a number but taken into account that the response rate is yet 22%, and that the responses can be regarded as highly reliable as will be later demonstrated, it can be considered to be a representative sample of the whole population of 73 franchise chains. In addition, the responses represented a wide line of businesses as will be illustrated in Figure 7.

The data gathered by the survey was saved in Excel which was used as a tool to create figures and tables.

Instrumentation

The survey instrument was a four-page and 20-question questionnaire. Consequently, in many of the 20 questions, there were numerous attributes to be evaluated and in some questions also open answers were possible. Thus, maybe the questionnaire has been regarded to be lengthy and therefore many did not complete it. Additionally, most questions considered international operations and if a franchise did not operate internationally, it may not have been motivating to respond.

The questionnaire was not formally pre-tested but opinions and comments about the draft questionnaire were gathered from about ten students of Helsinki School of Economics and Business Administration. Based on this feedback, the questionnaire was modified and developed into its final form.

At the beginning of the questionnaire, as background information, the respondents were asked to give a few details about their operations.

First, the name of the company was asked so that the respondents could be sent the summary of the study later as promised in the cover letter. Second, the position of the respondent was asked in order to confirm that the responses are reliable. Additionally, the respondents were asked to specify their line of activities, the year when they began franchising, the total number of the franchised outlets in Finland and the total number of the company-owned outlets in Finland.

After the background questions, the questions from 12 to 17 investigated first, the problems encountered in international operations and second, the possible adaptations made. The last three questions dealt with the future plans of the respondents. Firstly, whether they are going to start any international operations or expand the existing ones. Moreover, whether they expect cultural differences to cause problems on the new markets. Finally, whether they are going to adapt their franchising package to better suit the new cultures.

The results of the survey will be discussed in the next chapter.

4. FINDINGS AND DISCUSSION

The discussion on the results of the survey will follow the order of the questions in the questionnaire. First, the background of the respondents will be analysed. Then, the problems encountered in international franchising by the respondents will be discussed. Furthermore, the question of standardisation versus adaptation of the franchising package will be examined. Finally, the discussion will focus on the utilization of market research by the companies and the internationalization steps of Finnish franchisors.

4.1 BACKGROUND OF RESPONDENTS

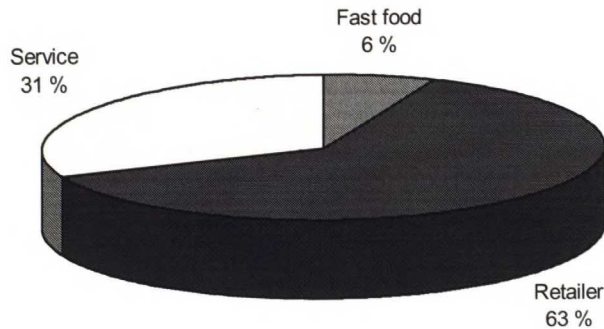
Based on the information about the positions of the respondents, the responses can be regarded as reliable. The 16 respondents included six CEOs, one Chairman of the Board and one Sales Director. Consequently, the rest of the respondents worked in managerial positions as well. Based on this information it can be assessed that the respondents really had the proper knowledge to answer the questions which contributes to the reliability of the results.

Branch

The respondents formed a representative group from the franchise population in Finland as 16 franchises represented such a wide line of business. In fact, ten respondents operated in retailer business but almost all of them sold totally different products, everything from sweets to clothes and furniture. Only clothes and gift items were represented twice. Five respondents reported services as their branch. These franchises included a travel agency, a café, a car rental service, a real estate agency and a wholesaler. Surprisingly, only one of the

respondents operated in fast-food business even though it is the most traditional business for franchising operations. The branches of the respondents are presented in Figure 7.

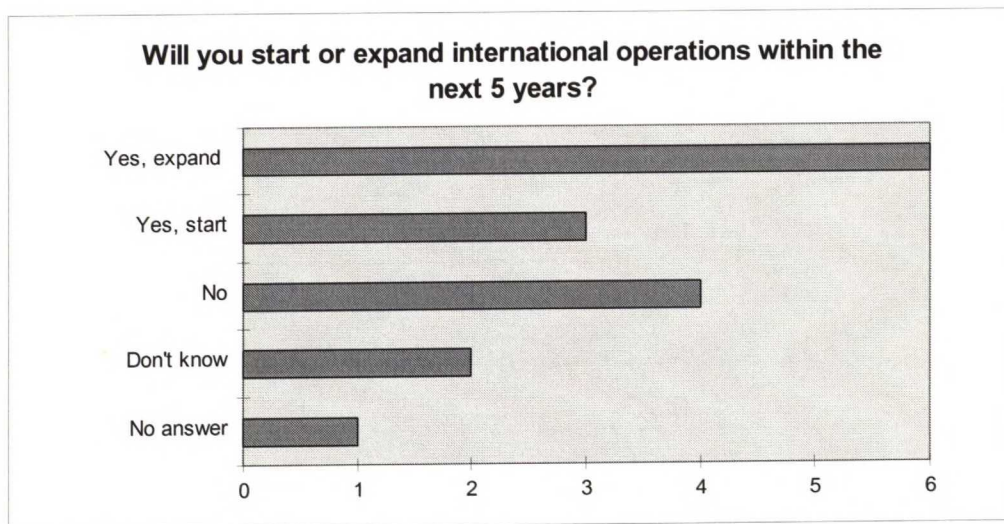
Figure 7. Branch of Respondents



International Operations

There were a total of six respondents involved internationally. Thus, the majority of the respondents did not yet have any international operations. However, three respondents announced that they are going to enter the international markets within the next five years. One of the three specified that they have set a goal to open one to five outlets abroad already by the year 2000. Hence, only four respondents indicated that they are not going to start any international operations since two did not yet know whether they would become internationally involved within the time span and one did not answer the question. Indeed, one of the two responding "Don't know" had written an extra comment besides the question that they *possibly* start international operations. Figure 8 illustrates the international operations and plans of the respondents.

Figure 8. International Operations and Plans of Respondents



To examine the background for the international operations the respondents were asked to specify when they have started their international operations, how many franchised and company-owned outlets they have abroad, what is the home country of the franchisor and in which countries the franchising chain operates.

Interestingly, half of the respondents was originated from Finland and half from abroad; one from England, one from England/USA and one from Denmark. The year when they had started their international operations varied according to the home country of the company. The foreign companies had already been involved internationally for a long time, one since 1950, another 1978 and the last from 1982, whereas the domestic ones had just started their international operations in the mid 90s. Likewise, the number of the franchised outlets abroad varied from 7 to 5000. Naturally the Finnish originated ones had the smallest figures whereas the largest figure of 5000 outlets belonged to the oldest international franchise chain in the survey.

The average starting year for the domestically operating franchises was 1992. The fact that the domestic franchisors are still so young explains it further why only a minority of the Finnish respondents had started international operations. As mentioned in Literature Review, research indicates that in average franchising operations have existed 15 years domestically before the first domestic companies enter international markets. In Finland franchising started to be used widely in the 80s and thus it can be expected that in the near future more domestic franchisors start their international operations.

Furthermore, the freshness of the franchise business in Finland may explain the fact that no more international franchisors responded to the survey even though it was clearly pointed out in the cover letter that the survey examines international operations. Except the large international franchising chains originated from abroad and a few others, the most franchisors only operate domestically in Finland. Therefore, the domestic chains may have had the feeling that the survey does not concern them and thus did not fill in the questionnaire.

4.2 PROBLEMS ENCOUNTERED IN INTERNATIONAL FRANCHISING

As presented in the theoretical framework of the study in Section 2.4, it was assumed that there are two separate forces effecting the international consumer behaviour, namely cultural differences among various markets and globalization of the international market arena. Consequently, the cultural differences in consumer behaviour lead to pressures into adaptation of the franchising package whereas globalization as well as the basic idea of franchising create pressures into standardisation. As a result, the decision on standardisation versus adaptation of the franchising package has to be made.

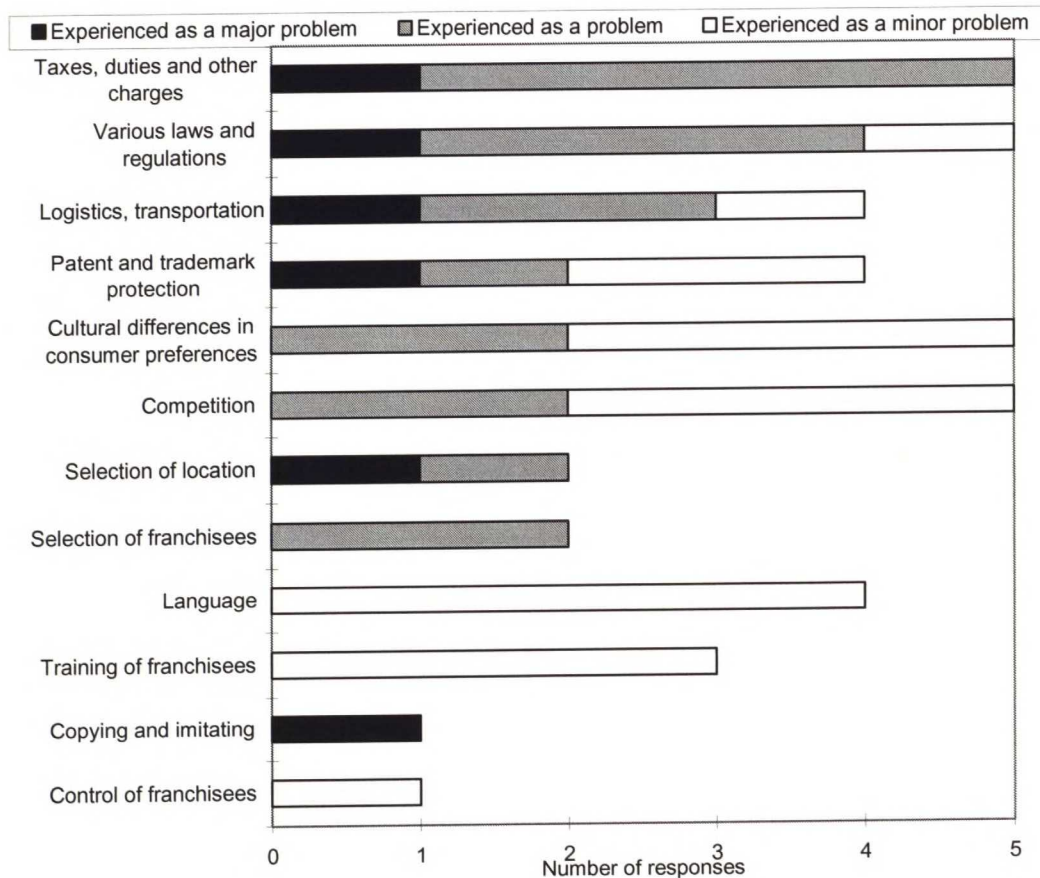
In order to find out whether companies pay attention to the cultural differences or regard them as a problem in international franchising, they were asked to specify the problems they have encountered in their international operations. In the questionnaire there were listed twelve possible problems which were asked to be evaluated in the scale of one to four. One represented the situation where the factor was felt as a major problem and four meant that a company did not regard the factor as a problem at all. Additionally, the respondents were given a chance to specify whether they had experienced some other problems not listed in the questions.

The six responses to the question formed a representative sample since the respondents represented each a different branch, including a fast food business, a travel agency, a kiosk and three retailers. Consequently, the retailers sold each different items, one clothes, another make-up and the third furniture. One of the respondents did not yet operate internationally but as he had yet answered the question, it can be assumed that he already had specific plans for internationalization and therefore had a clear idea of which problems would be encountered. Indeed, the respondent was the same one who indicated that they are just starting their international operations, as mentioned previously. Therefore, the response was taken into account in the analysis.

The problems encountered in international franchising by the respondents are illustrated in Figure 9. Troubles were mostly experienced with taxes, duties and other charges as well as with various laws and regulations. These were exactly the same problems that ranked the highest in Hackett's survey in 1976 (see e.g. Czinkota et al. 1992, 281, Andersson-Tuominen 1990, 83). Even though more

than twenty years have gone by it looks like the basic problems have remained the same in international franchising.

Figure 9. Problems Encountered in International Franchising



Furthermore, logistics and transportation as well as patent and trademark protection were among the problems experienced by the respondents. However, even though patent and trademark protection was considered to be a problem, copying and imitators were not faced by the respondents, except by one. Therefore, it can be concluded that franchisors are struggling in getting their patents and trademarks protected in new international markets but after all will obviously succeed in it even though the process may be long.

Surprisingly, control of franchisees was not regarded as a problem by the respondents. According to Hackett's (1976, in Andersson-Tuominen 1990, 83) survey it ranked the fifth among the problems encountered in international markets by US franchise systems. Hopkins (1996) did not examine this issue in his survey. This raises the question of whether the franchising agreements have become more precise and strict during the years in order to ease controlling. The franchising agreements are not examined in this study but it may be worth investigation.

All except one mentioned cultural differences in consumer behaviour as a problem in international franchising. Nevertheless, three of the five respondents had experienced cultural differences only as a minor problem. Since cultures did not seem to cause major problems to franchisors it can be questioned whether they have managed to adapt their packages so well to the different cultures or whether they have not thought about the issue. In case a franchisor does not pay attention to cultural differences when penetrating new markets, he cannot naturally regard them as a problem, neither if the business operates successfully enough. Nevertheless, it is possible that franchising on the new markets would succeed even better if cultural differences had been taken into account and perhaps some adaptations had been made in the franchising package. The question of adaptation will be analysed in further detail in the following section.

In addition to the previously mentioned problems, the respondents mentioned competition to complicate international franchising. Furthermore, the selection of location as well as the selection of franchisees were experienced as problems abroad. On the contrary, language and training of franchisees were only regarded as minor problems.

4.3 STANDARDISATION VERSUS ADAPTATION OF FRANCHISING PACKAGE

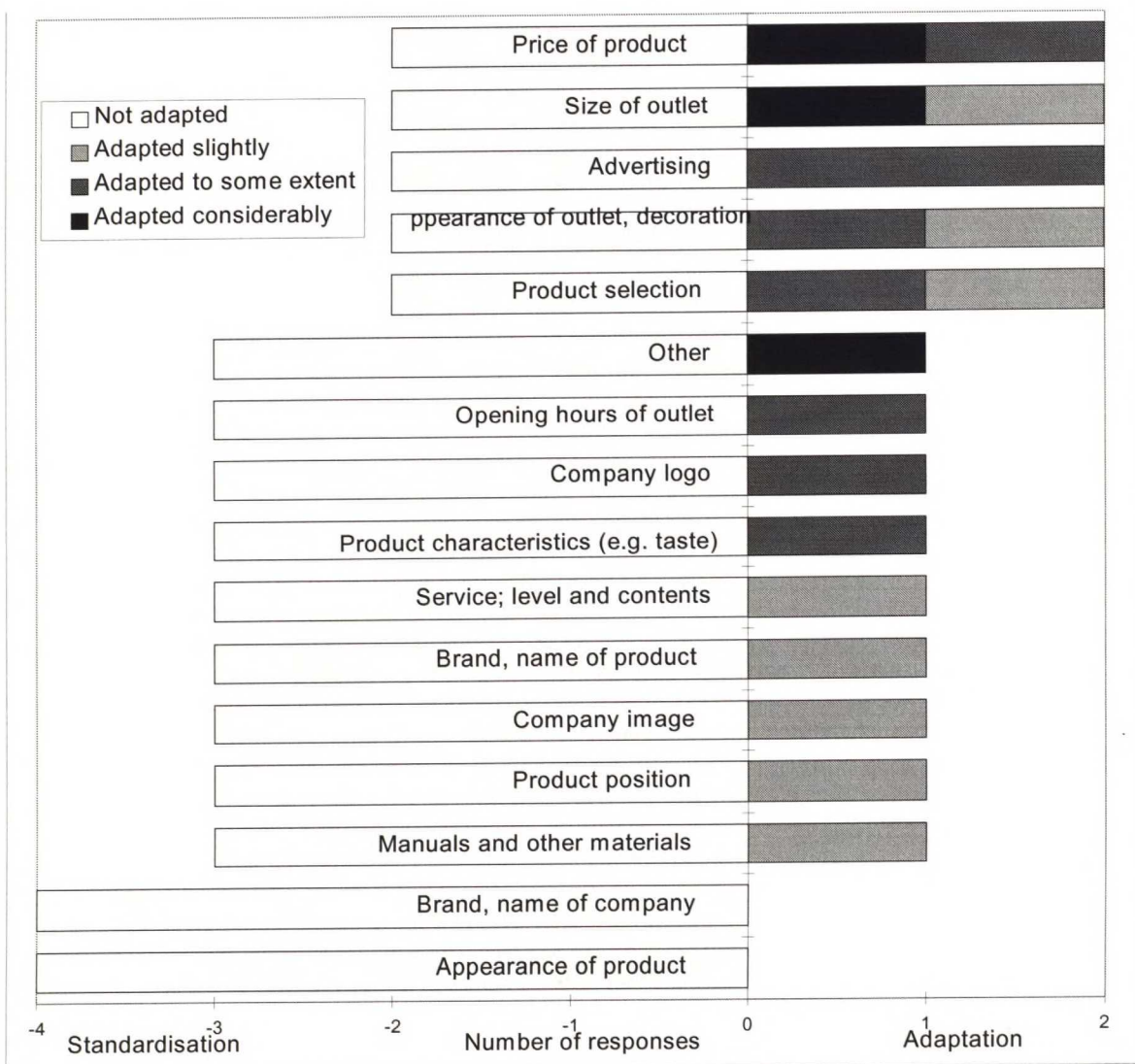
Situated between the two pressures earlier described, cultural differences in consumer behaviour favouring adaptation and globalization as well as the basic idea of franchising speaking for standardisation, franchisors have to find their balance on the continuum. In other words, they have to decide which elements of the franchising package should be standardised in order to maintain a cohesive image of the chain and which to be adapted to local tastes and preferences. Moreover, it should be asked to which extent the selected components should be adapted.

In order to examine these questions, the franchisors were asked whether they have adapted their franchising package to cultural differences and if they have, which elements of the package they have adapted and how considerable the adaptations have been. Moreover, the respondents that have made some adaptations were asked to specify whether there have been differences in adaptations between various countries and whether they feel that adaptations were necessary from the point of view of the success of the business. Finally, it was asked who had suggested the adaptations, local franchisees or a franchisor. The results of the questions concerning the adaptation versus standardisation are discussed now.

All except one of the respondents indicated that they have adapted their franchising package when transferring it abroad. Obviously this largely explains the fact that cultural differences were not regarded as a major problem by the respondents. When they have prepared properly in advance to a new culture, cultural differences will not cause such problems in the actual operations on the market.

When specifying in further detail which elements of the franchising package the franchisors had adapted, there were five attributes that were adapted by two respondents. Nevertheless, the conclusions must be drawn carefully since while two had adapted the component, the other two respondents had not adapted it. Figure 10 illustrates how the respondents have placed each component of the franchising package on the continuum of adaptation versus standardisation.

Figure 10. Standardisation versus Adaptation of Franchising Package



First, they had adapted the price of the product. Furthermore, the size of the outlet had been modified to suit the different culture. Advertising was adapted to some extent by two of the respondents. In addition to the size of the outlet, the respondents had adapted the appearance of their outlets as well. Finally, the product selection was adapted to some extent by one, and slightly by another respondent.

The findings are supported by the results of Hopkins (1996) showing that the most frequently used adaptations were those made in promotion, advertising and pricing. Moreover, 41 per cent of the respondents in his study had adapted the range of products.

Interestingly, the franchisor operating in international retailing of clothes indicated that they had not adapted any other elements in the franchising package except the sizes of the clothes (i.e. the answer Other in Figure 10). Obviously clothing fashion is similar in all their market areas as they had not experienced any problems caused by cultural differences. It is really surprising as yet the company operated in a wide variety of countries and cultures very different from each other: all Scandinavian countries, Germany, the Netherlands, Russia, Estonia, Poland and China.

There were two factors that were not adapted by any of the respondents: appearance of product and brand name of company. The result is in line with the previous findings and hypotheses discussed in Section 2.3. If the brand or the appearance of the product are adapted considerably, it may lead to the fact that customers do not recognise the outlet as a part of the franchising chain any more. Hopkins (1996) has similar findings which show the least adapted elements of the franchising package to be logo, brand name of company and packaging. On the contrary, Hackett's survey of 1976 (in Andersson-

Tuominen 1990, 52) indicates that logo and brand names were among the most widely adapted. Obviously, during the last twenty years a cohesive image has become even more important than earlier as brands and logos are today preferred to maintain standardised whenever possible. One reason for this trend may be found in today's information society with the sky channels and Internet connections which spread the information effectively to the consumers all over the world. Thus, consumers are more brand conscious and loyal than in the 70s.

Due to the small number of the responses in the question of implemented adaptations, it would not be reasonable to examine the degree of the adaptations in further detail. This issue will be analysed later when the planned adaptations will be discussed. As mentioned previously, there were more such respondents planning to start or expand their international operations than the ones already involved internationally. Therefore, the last question in the questionnaire concerning the planned adaptations gathered more responses than the one discussing implemented adaptations. Thus, those responses will enable the analysis of the degree of adaptations.

To sum up, it seems like the least adapted group of the elements in the franchising package was product-related. None of the attributes, physical, service or symbolic, was considerably adapted. Furthermore, the two groups of factors in the promotion-related elements seemed to behave very differently in the question of adaptation. Advertising was adapted to some extent but company-related factors were among the least adapted. Moreover, the place-related elements were all adapted by half of the respondents, except the opening hours of the outlet that were adapted to some extent by one respondent. Finally, according to the results, price of product was the one most adapted.

Differences in Adaptations by Countries Entered

The results show that the amount and/or targets of adaptations made by three of the four respondents vary between different countries. In fact, the one responding that the adaptations have not varied has just started international operations and only operated in one foreign country neighbouring Finland. Thus, the response can be neglected.

The finding is consistent with Hopkins (1996) research as pointed out in Section 2.3. According to his study the variation depended on the fact whether the country penetrated is found culturally similar to or different from the home country. More adaptations were made when entering culturally different markets. In order to find out whether this statement holds true, the respondents were asked to specify how the variation has taken place. Unfortunately, only two responded the question. A clothing franchise explained the variation by the fact that people are of different size in different countries. An English originated make-up retailer gave a few examples which showed that Japanese, Asian and South American markets have required most adaptations. Therefore, it could be concluded that more adaptations are made to culturally distant cultures as these example cultures are from the English one. Nevertheless, it cannot naturally be generalised, based on one response only.

Who Suggest Adaptations?

In Section 2.3. it was argued that most of the innovations for new products originate from franchisees having the best knowledge of local preferences. In addition to the ideas for totally new products, local franchisees, as experts of local culture, may suggest the best ideas for other adaptations in franchising package. The statement is supported

by this survey as only one respondent pointed out that their adaptations have been planned by the franchisor. Two responded their adaptations to originate from franchisees and for one franchisor both cases applied. Thus, the majority of the adaptations made by the respondents were originated from franchisees.

Correspondence between Adaptations and Success

When evaluating the influence of adaptations on the success of business, all the respondents that have adapted their franchising packages found that the adaptations had contributed to their success in international operations. The result is consistent with the hypothesis made in this study previously. It was argued that a key to success is to adapt the right components in the franchising package in order to make the franchising concept to suit different cultures. On the contrary, Hopkins (1996) surprisingly found that the more adaptations were made the more unsuccessful business was. This clearly needs further examination.

Adaptations Planned to New Markets

As previously mentioned, there were a total of nine respondents intending to start or expand their international operations within the next five years. The adaptation plans for the new markets are now taken under examination. The internationalization path of the respondents will be discussed in the next section.

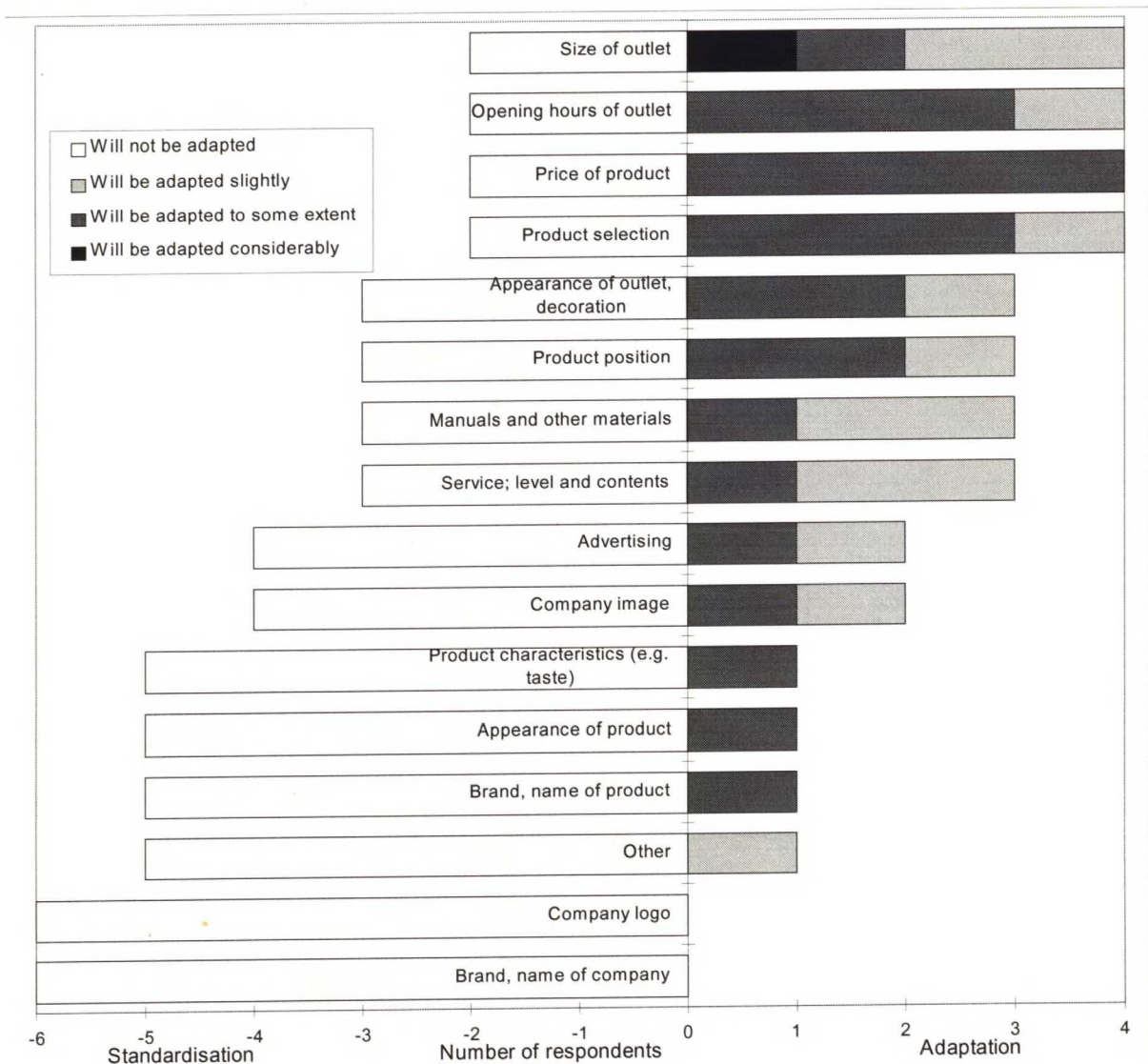
It was not generally expected by the respondents that cultural differences would cause problems to the franchising concept on the new markets they are going to enter. Only two of nine expected them to become a problem and two were not yet able to evaluate the issue.

Thus the majority (five of nine) did not believe the cultural differences in consumer behaviour to create problems.

Nevertheless, exactly the same number of respondents not expecting cultural differences to cause problems were going to adapt their franchising packages to suit the new markets. Obviously, this could be explained by the same reason as previously discussed when the past actions of the franchisors were analysed. Cultural differences were not regarded as a major problem because the preventative actions, i.e. market research and adaptations, have been made. Similarly, in the case of the future plans the franchisors seem to be aware of the fact that differences will exist on the new markets. Therefore, they adapt their franchise packages in advance. Since they have carefully planned what kind of adaptations will be made, they do not expect cultural differences to cause any problems in actual operations. Apparently, they are confident of having made adequate research on the new market and thus of making the right adaptations.

Despite the five respondents indicating that they will make some adaptations, there were yet six responses to the question of what kind of adaptations will be made. In spite of this apparent contradiction, due to the small total number of responses all six responses were taken into account in the analysis. The figure exemplifying the responses to the question can be seen in Figure 11.

Figure 11. Planned Adaptations of Franchising Package



By comparing the adaptations that the franchisors plan to make in their new market entries with the ones they have made in their previous market entries, the ranking lists do not differ from each other considerably. The top five of planned adaptations includes size and appearance of outlet, price of product and product selection as did the top five of implemented adaptations. The only considerable difference between these two lists is that advertising has been adapted to some extent in previous entries but only two of the six respondents have

plans to adapt it to new markets. Instead, opening hours of outlet will be adapted to some extent by three and slightly by one respondent. Thus, place-related components seem to be widely adapted as three of the top five adaptations relate to place.

The planned adaptations again show the importance of maintaining a cohesive image throughout the franchising chain in different countries. None of the respondents is going to adapt the company-related promotional elements of the franchising package. The brands and the company logos were planned to be maintained standardised on new markets. Additionally, none except one had plans to adapt the following symbolic product attributes: brand name or appearance of product. The finding is supported by Hopkins (1996) who found out that only 12 per cent of the respondents adapted logo and 16 per cent company or brand name as well as packaging of product.

Interestingly, even though most symbolic product attributes were planned to be standardised, yet product position was intended to be adapted by three of six respondents. It could be concluded that the most visible of the symbolic product attributes are decided to be kept standardised in order to maintain the cohesive image of a chain. Nevertheless, the adaptations of product position can be hidden from the consumers who are not usually aware of how a company has posited its products. However, the sizes and profiles of customer segments easily vary country by country and thus product position may need adaptation in order to focus marketing efforts on the right target groups.

When taking a look at the degrees on which the respondents have planned to adapt the various components of the franchising package, it is interesting to note that only one response indicated that a

considerable adaptation will be made. The element in question was the size of an outlet. The majority (about 60 per cent) of the adaptations indicated that the components will be adapted to some extent. The rest, i.e. 40 per cent of the responses, consisted of slight adaptations. There were no actual differences between the adaptations of the various elements. The degrees of the adaptations are also presented in Figure 11.

As a result, it could be concluded that franchisors prefer to make careful adaptations instead of considerable ones. Unfortunately no previous studies were to be found on the subject in order to compare the results. However, it could be reasonable to expect that the careful adaptations are preferred as they are easier to take back if necessary than complete adaptations. Franchisors may not be so confident about their findings and expectations about cultural differences on foreign markets that they would make considerable adaptations by risking the uniform image of the chain at the same time. Nevertheless, they may have experienced that a practical way to satisfy the foreign customers without taking too big risks is to adapt the components to some extent instead of standardising everything.

A useful tool for examining new markets in advance is to conduct research on consumers and markets in advance. This may help a lot in deciding which components of the franchising package should be adapted and to which degree. The importance of market research and its utilization by the franchisors will be discussed next.

4.4 SIGNIFICANCE OF MARKET RESEARCH

An effort was made to find out the significance of market research in international franchising. The object was to examine whether the franchisors conduct market research before entering new markets. Particularly, the objective was to find out whether the franchisors investigate cultural differences in consumer behaviour.

As a result, only one respondent did not ever make market research before penetrating new markets. Thus, all the others, six in this case, had a general practice to make research on the new market before entering it. Half of them conducted research on every market before establishing any outlets there. The other half implemented research depending on the market area to be penetrated.

Hence, the significance of market research cannot be underestimated. Unfortunately, there were no other studies on the subject to be found in which the utilization of market research by international franchisors would have been investigated. In addition to the frequency of usage of market research, an interesting research object would be to compare the success of franchisors making pre-research on new markets with the success of the ones not doing any.

Specifically, four of six franchisors conducting market research particularly examined the cultural differences in consumer behaviour between the new market and the domestic one. This is an interesting result since, as previously discussed, the respondents did not regard cultural differences as a major problem in international franchising. Therefore, it could be concluded that because the franchisors pay attention to pre-examining the new markets and their differences in consumer behaviour, they are able to modify their operations according

to the research results. Thus, the cultural differences will not cause major problems when operating on a new market.

Consequently, as the franchisors tend to adapt their franchising packages when entering a new market, they obviously manage to adapt the right components to the right extent as cultural differences are not considered to create big problems in operations. Market research made on consumer behaviour in the target market make it possible to make the adequate adaptations since the cultural differences are known in advance.

4.5 STEPS TOWARDS INTERNATIONALIZATION

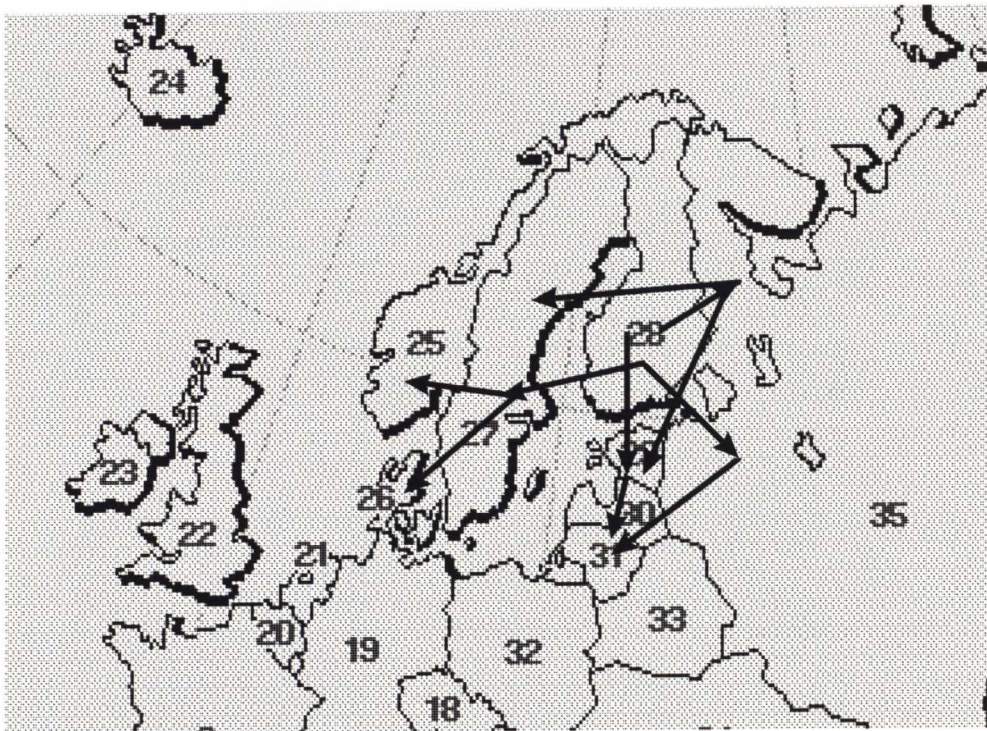
When analysing the responses to the question of starting or expanding the international operations, it was interesting to note that there are some trends to be seen in the internationalization steps of the Finnish franchisors. Among the respondents there are three Finnish franchising chains that have recently started their international operations and will continue their internationalization processes. Additionally, there are two Finnish franchisors not yet operating internationally but having plans to get internationally involved within the next five years.

According to the results the internationalization process seems to start from physically and culturally close markets. The countries the Finnish franchisors have first penetrated include Sweden, Russia and Estonia. The ones just planning their penetration intend to do their first moves to Sweden, Norway, Denmark, Estonia and Germany. There is only one exception among the six companies in question. A furniture retailer is planning to start their international franchising in Singapore, Taiwan and Malaysia in addition to Estonia. Despite this one exception, all

franchisors have selected physically and/or culturally close countries as their first foreign market areas.

When examining the second moves of the Finnish franchisors, the same countries are again represented depending on which the first markets were. For example, the chain that started the international operations in Sweden and Russia, is going to make the next move to other Scandinavian as well as to Baltic countries. Similarly, the one now operating in Estonia will next expand to other Baltic markets. Figure 12 illustrates the internationalization steps of three internationally involved Finnish franchising chains. The first steps already taken and the planned second steps can be seen in the map which clearly presents that the internationalization begins from the close countries and the path moves country by country further from the home country.

Figure 12. Steps towards Internationalization by Finnish Franchisors



Another fact speaking for cultural similarity of the previously mentioned countries is that the franchisors did not expect that cultural differences in consumer behaviour would cause any problems to their franchising concepts on these new markets. As a matter of fact, there were only two franchisors who expected cultural differences to create problems. Interestingly, these two were exactly the ones who were planning to make their first steps towards internationalization also in other countries in addition to our neighbouring or Baltic area. One planned to expand to Asia and the other to Germany. Hence, it could be concluded that the path franchising chains tend to use seems to be a very reasonable one as it is easier to penetrate culturally close markets first.

The findings seem to be supported by the theory of the learning process as a franchisor learns on every market where it is operating and thus the second step is easier than the first one. No respondents already involved internationally expected cultural differences to create problems on new markets. It is worth noticing that the new markets were again close to the ones where outlets were already established. Thus, the internationalization path keeps on following a step-by-step process. Most likely the case would be more difficult if a franchisor suddenly made a long step to a very distant market, as the previously mentioned responses concerning the expectations of problems caused by cultural differences showed.

Furthermore, research indicates that throughout the world the franchisors take their first step to international arena by penetrating a foreign market with physical and cultural proximity. A US franchisor penetrates first the Canadian market, secondly the UK or the Australian markets which are further in physical distance but still culturally close and only last other markets of more distant cultures

(Welch 1989, 8). Correspondingly, an Australian franchisor takes first step into the New Zealander market (Welch 1990, 116) and a Swedish franchisor establishes its first franchise in Norway (Axberg 1993, 118). Franchisors find the nearby markets easier to penetrate for they do not usually have to change any components in their franchising package due to similar tastes, habits and language on a market in question.

The recent survey of Hopkins (1996) supports these findings as well. According to his findings of US franchisors, over 75 per cent of the franchisors reported entering similar cultures as the first foreign country entered. More than half of the respondents penetrated the Canadian market first.

Interestingly, according to the survey of Hopkins (1996) franchisors entering similar countries succeeded better because they did not have to adapt their franchising packages. Thus, they were able to maintain the standardised concept which led to a better success compared to the success of adapted franchises. However, in this survey the majority of the respondents have adapted their franchising concepts and find that the adaptations have contributed to the success. This needs clearly further examination.

5. CONCLUSIONS

5.1 SUMMARY AND MAJOR FINDINGS

The purpose of this study was to analyse how cultural differences among foreign markets to be penetrated affect the internationalization process of franchising. Specifically, the study focused on examining what kind of adaptations franchisors may have to make in their franchising packages when internationalizing their franchising concept.

The basic idea of franchising is a standardised franchising package in order to maintain a uniform image throughout the franchising chain. However, cultural differences in international consumer behaviour may require some adaptations of the franchising package according to different consumer preferences. When adaptations are carefully planned and realised, regular consumers still recognise outlets on various markets belonging to the same franchising chain and actually they do not even note in many cases that the chain has adapted its concept somehow. The critical point is to find an appropriate balance on the continuum of standardisation versus adaptation.

The research question of the study was stated following:

What kind of adaptations, if any, franchisors make in their franchising packages when entering foreign markets?

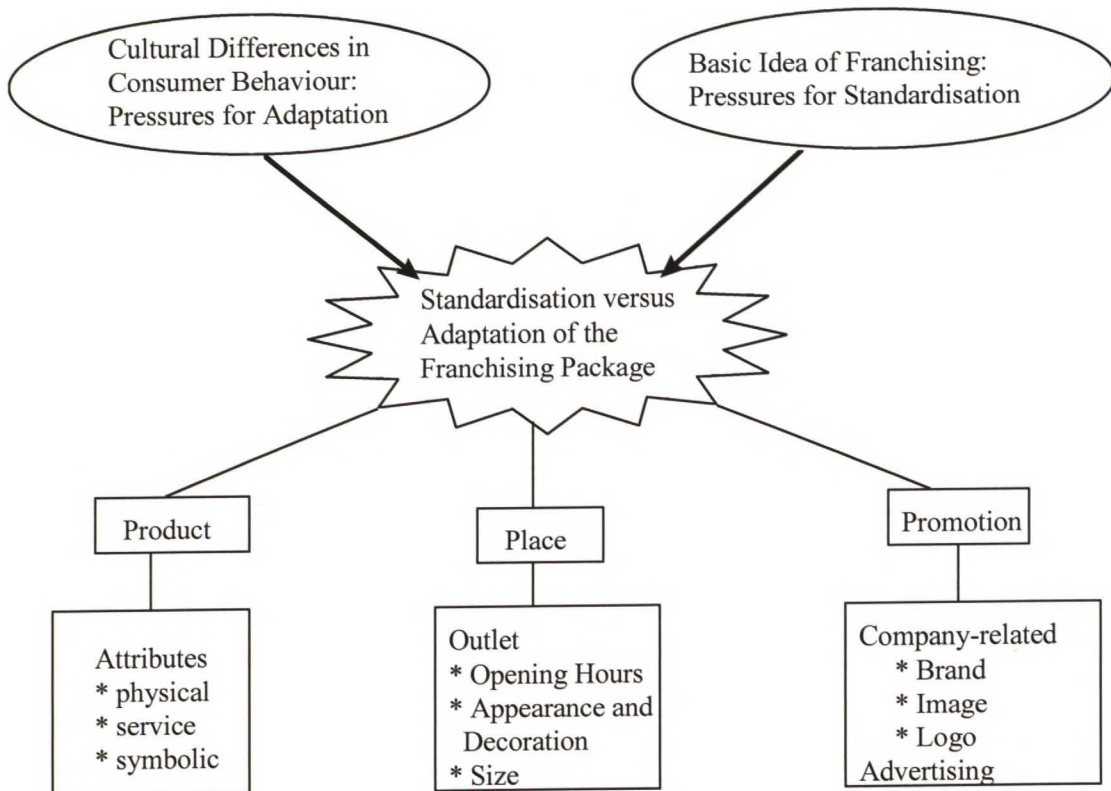
The research question was analysed by examining the experiences of the franchisors operating in Finland.

It was assumed that in addition to the basic idea of franchising, there is another force pressuring the franchisor into standardising the

franchising package: globalization of consumer behaviour. Even though globalization has its proponents, it was argued in this study that the cultural differences in international consumer behaviour have not vanished and thus have a great influence on consumer preferences. Thus, these two theories were analysed and compared to each other.

After comparing the theories, it was concluded that cultural differences form consumer behaviour different on various markets and that no such globalization process has occurred that consumers all over the world would have unified needs and preferences. Therefore, from this point of view there may be a clear need to adapt some components of the franchising package in many cases. On the other hand, the significance of standardisation as the basic idea of franchising cannot be underestimated. From this point of view it is important not to adapt the concept too much in order to maintain a cohesive image and operations throughout a franchising chain. Thus, the critical point is again to find an appropriate balance on the continuum between standardisation and adaptation. Only the forces pressuring towards these two ends have changed slightly of the original framework of the study. As a result, an elaborated theoretical framework for the study is presented in Figure 13. Globalization has been removed from the factors pressuring for standardisation of the franchising package and the basic idea of franchising left as the only force speaking for standardisation.

Figure 13. Elaborated Theoretical Framework of the Study



It was stated that when a franchising chain is planning its franchising package to a new market, it should evaluate the need for adaptations by different elements in the package. It should be considered which components are standardised and which adapted. Moreover, the attention should be paid on the degree of adaptation, various elements may be needed to be adapted to various extent.

The components of the franchising package were grouped in three groups: product, place and promotion. Price was left out of the framework due to the complex nature of price setting including many other factors besides cultural differences and the basic idea of franchising. First, the product consisted of physical, service and symbolic attributes. Furthermore, the place included size, appearance, decoration and opening hours of outlet. Finally, advertising and

company related factors, as brand and company image, were promotional components of the franchising package. Each of the factors should be considered separately when planning adaptations.

Survey was selected as a research method for the study. A four-page, twenty-question questionnaire was sent to 76 franchising chains operating in Finland. As two responded not having franchise business and one was returned due to the wrong mailing information, sixteen usable responses were received, the return rate was 22% of the revised sample of 73.

Based on the results of the survey the hypothesis that the franchisors actually do adapt their franchising concepts when expanding internationally seemed to be proved to be right. Almost all the respondents already having international operations had adapted at least some elements in their franchising packages. Additionally, two thirds of the franchisors starting or expanding international operations within the next five years were going to adapt their concept to cultural differences on the new markets. Consequently, all the respondents who already had some experience of adapting their franchising concepts, found that the adaptations had proved to be right decisions by contributing to the success of international business.

Thus, it could be concluded that in order to achieve the best success in international franchising, some components of the franchising package should be adapted to cultural differences in consumer behaviour in the countries to be penetrated.

When examining the targets of the adaptations, it was noticed that the price of the product and the place-related components were most frequently adapted by the respondents. Additionally, the product

selection was among the top five both in the ranking list of the implemented and of the planned adaptations. On the other hand, symbolic product attributes and company-related promotional elements were the least adapted components of the franchising package. The findings were consistent with the results of Hopkins (1996).

As a result, it seems that the franchisors do not prefer to adapt the elements that are highly visible to the consumers, like the company logo, brand names or appearance of the product. Instead, they adapt such components as the size or opening hours of the outlet and the price of the product. All these are very culture specific and therefore it could be even argued that they must be adapted in order to succeed on the market. For example, customers would surely regard it as very weird if some stores would be closed for many hours earlier than all the others in the country every day. Or, if prices in some store would be twice as high as the general price level in the country.

On the other hand, in order to maintain the cohesive image of a chain, all promotional elements should communicate the same message. This object may be achieved when standardising the symbolic attributes of the product and firm-related promotional factors. Additionally, even though the product selection was adapted by most of the franchisors, it could be assumed that the core of the product range is kept the same on all markets. The fact that product characteristics and brands were standardised speaks for this assumption. Consequently, these standardisations contribute to the recognition of the chain by the customers and thus also to their brand loyalty. However, in the adaptations of the product selection, the local preferences had been taken into account by adding some new local products to the range.

When the extent of adaptations was examined, it was noticed that the franchisors preferred to adapt the selected elements either to some extent or slightly. Only three adaptations were made and one was planned to be made in which the component was adapted considerably. Unfortunately no other studies were to be found which would have investigated this issue. However, it could be stated that considerable degrees of adaptations are avoided as the franchisors may regard it as too a risky decision. If the decision proves to be wrong, it may be impossible to repair the mistake afterwards if too a large adaptation in a wrong place has already jeopardised the cohesive image of the chain. This conclusion is similar to the findings of Welch (1992) as discussed in Section 2.3.

5.2 MANAGERIAL IMPLICATIONS

Based on the results of this survey a franchisor planning to start international operations should first carefully get familiarised with the target market and then plan the franchising concept used in entering the new country. The best knowledge of the market can be received when conducting research on the market and its consumers before starting any penetration process. Specifically, cultural differences should be taken into account in the market research.

Consequently, a franchisor should consider which elements of the franchising package should be adapted and which standardised for the foreign market to be penetrated. Additionally, a special attention should be paid to the degree of the adaptations which may vary considerable by elements. In the planning process a franchisor should take into account the eventual core elements of the franchising package that should be standardised in order to preserve a cohesive image throughout the chain. Moreover, a franchisor should consider which of

the cultural differences in consumer behaviour are so substantial that adaptation of some components in the franchising package is needed. The idea should be to find the balance between the basic idea of franchising pressuring towards standardisation and cultural differences driving for adaptation. Indeed, it should be realised that these are not two alternative options but the ends of the same continuum on which the balance should be found.

The analysis of the franchising package should be done by components in order to find out which are the ones needing adaptations and to which degree the adaptation is needed. The components of the franchising package include place, product and promotion related attributes. First, place related factors include decisions on the size, appearance and opening hours of outlets. Second, product related factors consist of physical (e.g. taste, size), symbolic (e.g. brand name, appearance) and service attributes. Finally, when analysing promotional factors, in addition to advertising, company related factors should be taken into account, like the company's brand name and logo.

5.3 SUGGESTIONS FOR FURTHER RESEARCH

As the number of responses was quite small in this study, the conclusions need support from the further studies before valid generalizations can be made of the results. Furthermore, the sample for this study consisted only of the franchisors operating in Finland. Thus, as far as the large international franchising chains are concerned, it can be questioned whether the local Finnish managers do know in detail about the adaptations of the chain. Therefore, further research is needed on the subject having a larger sample of franchising chains from multiple countries. In addition, it should be

made sure that the people responding the survey will be the ones been along with foreign entries and decisions made on adaptation versus standardisation.

Other interesting topics for further research would be the utilization of market research by the international franchisors and the degrees to which the franchisors have adapted the different elements in the franchising package.

Moreover, more detailed analysis of decision process of the franchisors is needed in order to find out the specific reasons for the adaptations. Particularly, it would be interesting to examine which expected or experienced cultural difference has led to which adaptation made by a franchisor.

Finally, more research attention should be given to analysis of the relationship between adaptations and success in international franchising. The findings of this study and the one of Hopkins (1996) were contradictory as the previous argued that adaptations when made on the right components of the franchising package contribute to the success of the business, whereas the latter stated that the more adaptations, the more unsuccessful the business. Therefore, a study concentrating on this issue in further detail is needed.

REFERENCES

- Ahvenainen, Timo 1990. Suomi kuroo välimatkaa kiinni. *Mark* 9. 56-59.
- Andersson-Tuominen, Anne 1990. *Franchising from the Finnish Perspective - Theory and Observations on Practice and Prospects*. Master's Thesis, Helsinki School of Economics and Business Administration, Helsinki.
- Axberg, Curt 1993. *Franchising - en handbok*. Liber-Hermods AB, Malmö.
- Aydin, Nizamettin & Kacker, Madhav 1990. International Outlook of US-based Franchisers. *International Marketing Review* 7:2. 43 - 53.
- Cavusgil, Tamer S. & Zou, Shaoming & Naidu, G.M. 1993. Product and Promotion Adaptation in Export Ventures: An Empirical Investigation. *Journal of International Business Studies* 24:3 Jul - Sep. 479 - 506.
- Chan, Peng S. & Justis, Robert T. 1992. Franchising in the EC: 1992 and Beyond. *Journal of Small Business Management* 30: January. 83 - 88.
- Czinkota, Michael R. & Rivoli, Pietra & Ronkainen, Ilkka A. 1992. *International Business*. 2nd ed. The Dryden Press, Orlando.
- Eshghi, Abdolreza & Sheth, Jagdish N. 1993. The Globalization of Consumption Patterns: An Empirical Investigation. Ed. *Global Perspectives in Marketing*, Kaynak, Erdener. Praeger Publishers, New York. 133 - 148.
- European Franchise Federation 1998. *Newsletter* 13: January.
- Falbe, Cecilia M. & Dandridge, Thomas C. 1992. Franchising as a Strategic Partnership: Issues of Co-operation and Conflict in a Global Market. *International Small Business Journal* 10:3. 40 - 51.
- Ferraro, Gary P. 1994. *The Cultural Dimension of International Business*. Prentice-Hall Inc.
- Fiilin, Petri 1982. Franchising - nopeilla eväillä markkinoille. *Fakta* 12. 38-41.
- Fladmoe-Lindquist, Karin 1996. International Franchising: Capabilities and Development. *Journal of Business Venturing* 11. 419 - 438.
- Friedmann, Roberto 1986. Psychological Meaning of Products: A Simplification of the Standardization vs. Adaptation Debate. *Columbia Journal of World Business* 21:2 Summer. 97 - 104.

Hayes, John P. 1990. Six Steps to International Expansion. *Franchising World* 22: November - December. 3 - 4.

Himanen, Eva 1996. Hesburger asettui Hampuriin tarkan suunnittelun jälkeen. *Kauppalehti* 21, 30.01.96.

Hofstede, Geert 1991. *Cultures and Organizations*. McGraw-Hill Book Company Europe, Berkshire.

Hopkins, David M. 1996. International franchising: standardization versus adaptation to cultural differences. *Franchising Research*. 1:1. 15 - 24.

Illi, Anita 1988. Franchising-kuume leviää. *Talouselämä* 23. 63-65.

Jain, Subhash C. 1989. Standardization of International Marketing Strategy: Some Research Hypotheses. *Journal of Marketing* 53:January. 70 - 79.

Jalkanen, Jussi 1996. McDonald's kasvaa maakuntiin. *Kauppalehti Optio* 4, 07.03.96. 36.

Karppinen-Shetta, Merja 1995. *Cultural Differences in International Business*. Lectures at Helsinki School of Economics and Business Administration 27.02. - 17.03.95.

Karppinen-Takada, Merja 1994. *Cross-cultural Comparability of Working Time: Japan and Finland*. Working Paper, Helsinki School of Economics and Business Administration, Helsinki.

Kauppalehti 1996a. McDonald's ja Picnic saivat Franchising-palkinnot. *Kauppalehti* 52, 13.03.96.

Kauppalehti 1996b. Usko pääomaakin tärkeämpi. *Kauppalehti* 7.10.96.

Kauppalehti 1997. Hesburger hakee kasvua osuuskauppojen avulla. *Kauppalehti* 18.08.97.

Kauppalehti 1998. Kyösti Karvinen valittiin vuoden franchise-yrittäjäksi. *Kauppalehti* 02.04.98.

Kaynak, Erdener 1985. Globalization in International Markets. Ed. *Global Perspectives in Marketing*, Kaynak, Erdener. Praeger Publishers, New York. 5 - 22.

Laakso, Henri 1995. *Franchising teollisten pk-yritysten toimintamallina erityisesti kansainvälistymisen näkökulmasta*. Kauppa- ja teollisuusministeriön tutkimuksia ja raportteja 108/1995, Helsinki.

- Laakso, Teija 1998. The World's Northernmost McDonald's. *Blue Wings*. February - March 1998. 22.
- Levitt, Theodore 1983. The Globalization of Markets. *Harvard Business Review* May - June. 92 - 102.
- Luhanto, Pertti 1993. Franchising - tie menestykseen? *Uudistuva vähittäiskauppa* 2. 14 - 19.
- Luostarinen, Reijo & Welch, Lawrence 1990. *International Business Operations*. Helsinki.
- Luukkanen, Jukka E.I. 1996. Uudet eettiset säännöt. *Franchising Suomessa 1996*. Suomen Franchising Yhdistys. 8 - 10.
- McIntyre, Faye S. & Huszagh, Sandra M. 1995. Internationalization of Franchise Systems. *Journal of International Marketing* 3:4. 39 - 56.
- Nieminen, Tuula 1995. *Franchise-sopimus*. Turun yliopiston oikeustieteellisen tiedekunnan julkaisuja, Yksitysoikeuden sarja A:78, Turku.
- Polvinen, Taru 1995. *Development of International Franchising Networks - A Study of Pioneering Finnish Outward Franchisors*. Master's Thesis, Helsinki School of Economics and Business Administration, Helsinki.
- Preble, John F. & Hoffman, Richard C. 1994. Competitive Advantage through Specialty Franchising. *Journal of Services Marketing* 8:2. 5 - 18.
- Röyskö, Hannele 1994. Franchising yleistyy Suomessa. *Luottolista* 12. 4 - 5.
- Sahiluoma, Veijo 1997. Donitsilla maailmalle. *Optio* 30.10.97. 40 - 42.
- Sahiluoma, Veijo 1998. Maistuuko ruishampurilainen? *Kauppalehti* 20.03.98. 4.
- Samli, Coskun A. 1995. *International Consumer Behaviour*. Quorum Books, West Post, CT.
- Seies, Eeva-Riitta 1994. Suomalaisyrittäjät löysivät franchisingin. *Talouselämä* 14. 56 - 57.
- Seltz, David D. 1982. *The Complete Handbook of Franchising*. Reading, Mass. cop.
- Shook, Carrie & Shook, Robert L. 1993. *Franchising: The Business Strategy that Changed the World*. Englewood Cliffs, NJ: Prentice Hall.
- Suomen Franchising Yhdistys 1997. *Franchising Suomessa 1997*.

Suomen Franchising Yhdistys 1998. URL:
<<http://www.franchising.fi/jaseframe.html>>

Usunier, Jean-Claude 1993. *International Marketing - A Cultural Approach*. Prentice Hall International (UK) Limited.

Vandermerwe, Sandra 1989. From Fragmentation to Integration: A Conceptual Pan-European Marketing Formula. *European Management Journal* 7:3. 267 - 272.

Virolainen, Pekka 1995. Kuntosalifirma etenee kovosta pehmoon: David tekee selän hoidosta franchising-tuotteen. *Kauppalehti* 4.5.95.

Wathén, Antti 1996. Interview in TV-programme *Avoimet Ovet* 10.03.96. MTV3, Helsinki.

Welch, Lawrence S. 1989. Diffusion of Franchise Systems Use in International Operations. *International Marketing Review* 6:5. 7 - 18.

Welch, Lawrence S. 1990. Internationalisation By Australian Franchisors. *Asia Pacific Journal of Management* 7:2. 101 - 121.

Welch, Lawrence S. 1992. Developments in International Franchising. *Journal of Global Marketing Management* 6:1/2. 81 - 95.

Welch, Lawrence S. 1995. *International Operations*. Lectures at Helsinki School of Economics and Business Administration 17.01. - 02.02.95.

Zeidman, Philip P. & Feirman, Steven B. 1990. Franchising and EC '92, The Importance to Franchising of the European Community Integration. *Franchising World* 22: November-December. 21 - 24.

APPENDIX 1: Questionnaire

Helsingin kauppakorkeakoulu

Markkinoinnin laitos / Kansainvälinen liiketoiminta

17.04.98

Vastatkaa seuraaviin kysymyksiin ympyröimällä vastausvalintanne vastaava numero ja täydentämällä tarvittavat aukkokohtat kirjallisesti. Tiedot käsitellään ehdottoman luottamuksellisesti ja anonyymisti ja käytetään ainoastaan ko. tutkimukseen.

1. Yrityksenne nimi _____

2. Kyselyn täyttäjän asema organisaatiossa _____

3. Yrityksenne toimiala

1 Fast food

2 Muu ravintola

3 Vähittäiskauppa, tuote? _____

4 Palvelu, mikä? _____

5 Muu, mikä? _____

4. Franchising käynnistetty v. _____

5. Ketjunne franchising-yksikköjen määrä Suomessa _____

6. Emoyrityksen omistuksessa olevien toimipisteiden määrä Suomessa _____

Mikäli ketjullanne ei ole lainkaan kansainvälistä toimintaa, voitte siirtyä suoraan kysymykseen 16.

7. Kansainvälinen franchising käynnistetty v. _____

8. Ketjunne franchising-yksikköjen määrä kansainvälisesti _____

9. Emoyrityksen omistuksessa olevien toimipisteiden määrä kansainvälisesti _____

10. Franchising-ketjunne emoyhtiön kotimaa

1 Suomi

2 Muu maa, mikä? _____

11. Maat, joissa ketjullanne on toimintayksiköjä kansainvälisesti

1 Ruotsi

2 Muu Skandinavia, mitkä maat? _____

3 Muut EU-maat, mitkä? _____

4 Viro

5 Muut Baltian maat, mitkä? _____

6 Venäjä

7 Muu Itä-Eurooppa, mitkä maat? _____

8 Aasia, mitkä maat? _____

9 USA

10 Muu maailma, mitkä maat? _____

12. Mitä ongelmia ketjunne on kohdannut kansainvälisten toimintojen yhteydessä? Arvioikaa jokaista seuraavassa listassa esitettyä ongelmaa erikseen ympyröimällä valitsemanne vaihtoehto asteikolla

- 1 koettu erittäin suureksi ongelmaksi**
- 2 koettu ongelmaksi**
- 3 koettu vain vähäiseksi ongelmaksi**
- 4 ei ole koettu lainkaan ongelmaksi**

Kieli	1	2	3	4
Kulttuurierot - asiakkaiden mieltymyksiin ja tottumuksiin liittyvät	1	2	3	4
Erilaiset lait ja säädökset	1	2	3	4
Verot, tullit yms. maksut	1	2	3	4
Logistiikka, kuljetusvaikeudet	1	2	3	4
Franchising-yrittäjien valinta	1	2	3	4
Franchising-yrittäjien kontrollointi	1	2	3	4
Franchising-yrittäjien kouluttaminen	1	2	3	4
Toimipaikan valinta	1	2	3	4
Patentit, tavaramerkkien suojaaminen	1	2	3	4
Kilpailu	1	2	3	4
Kopiointi, tuotteenne tms. imitointi	1	2	3	4
Muu, mikä?	1	2	3	4

13. Onko ketjunne franchising-pakettiin tehty muutoksia, kun se on siirretty uusille markkina-alueille, jotta se sopisi paremmin ko. kulttuuriin?

- 1 Kyllä**
- 2 Ei, miksi?** _____

Jos vastasitte Ei, voitte siirtyä suoraan kysymykseen 18.

Jos Kyllä, mitä franchising-pakettinne osa-alueita on muokattu ja missä määrin? Arvioikaa jokaista seuraavassa listassa esitettyä asiaa erikseen ympyröimällä valitsemanne vaihtoehto asteikolla

- 1 muokattu huomattavasti**
- 2 muokattu jonkin verran**
- 3 muokattu vain vähäisesti**
- 4 ei ole muokattu lainkaan**

Tuotteen ulkonäkö	1	2	3	4
Tuotteen koostumus (esim. maku, tuoksu)	1	2	3	4
Tuotteen hinta	1	2	3	4
Tuotevalikoima	1	2	3	4
Brandi, tuotteen nimi	1	2	3	4
Brandi, yrityksen nimi	1	2	3	4
Yrityksen logo	1	2	3	4
Palvelun taso ja sisältö	1	2	3	4
Toimipaikan ulkoilme ja sisustus	1	2	3	4
Toimipaikan aukioloajat	1	2	3	4
Toimipaikan koko	1	2	3	4
Yrityksen imago	1	2	3	4
Tuotteiden positiointi	1	2	3	4
Mainonta	1	2	3	4
Ohjekirjat, manuaalit yms. materiaali	1	2	3	4
Muu, mikä	1	2	3	4

14. Ovatko muokkauksen kohteet tai määrät vaihdelleet eri maitten välillä?

- 1 Kyllä
- 2 Ei

Jos Kyllä, millä tavalla vaihtelu on esiintynyt? _____

15. Ovatko tehdyt muokkaukset olleet useimmiten

- 1 paikallisen franchising-yrittäjän aloitteesta tehtyjä?
- 2 emoyhtiön päätösten mukaisia?
- 3 sekä että

16. Miten arvioisitte tehtyjen muutosten tarpeellisuutta ketjunne kansainvälisten toimintojen tuloksellisuuden kannalta?

- 1 Muutokset ovat olleet erittäin tarpeellisia
- 2 Muutokset ovat olleet tarpeellisia
- 3 Muutoksilla ei ole ollut juuri merkitystä
- 4 Muutoksia ei olisi kannattanut tehdä, miksi ei? _____

17. Onko ketjullanne ollut tapana tehdä uusilla kansainvälisillä markkinoilla, jonne ketjuanne on laajennettu, etukäteen markkinatutkimusta?

- 1 Kyllä, aina
- 2 Kyllä, riippuen alueesta
- 3 Ei koskaan

Jos Kyllä, niin onko tutkimuksessa erityisesti tarkasteltu asiakkaiden mieltymyksiin liittyviä kulttuurieroja uuden markkina-alueen ja emoyhtiön kotimaan välillä?

- 1 Kyllä
- 2 Ei

18. Onko ketjullanne suunnitelmissa laajentaa kansainvälisiä toimintoja edelleen tai aloittaa ulkomaan toiminnot seuraavan 5 vuoden aikana?

- 1 Kyllä
- 2 Ei
- 3 En osaa sanoa

Jos valitsitte vaihtoehdon 2 tai 3, voitte jättää loput kysymykset vastaamatta - Kiitos arvokkaasta avustanne!

Jos Kyllä, mihin maihin ketjuanne on suunniteltu laajentaa?

- 1 Ruotsi
- 2 Muu Skandinavia, mitkä maat? _____
- 3 Muut EU-maat, mitkä? _____
- 4 Viro
- 5 Muut Baltian maat, mitkä? _____
- 6 Venäjä
- 7 Muu Itä-Eurooppa, mitkä maat? _____
- 8 Aasia, mitkä maat? _____
- 9 USA
- 10 Muu maailma, mitkä maat? _____

19. Uskotteko, että asiakkaiden mieltymyksiin ja tottumuksiin liittyvät kulttuurierot tuottavat ketjunne konseptille ongelmia näillä uusilla markkinoilla?

- 1 Kyllä
- 2 Ei
- 3 En osaa sanoa

20. Onko franchising-pakettianne tarkoitus muokata näitä uusia markkinoita varten, jotta se sopisi paremmin ko. maan kulttuuriin?

- 1 Kyllä
- 2 Ei
- 3 En osaa sanoa

Jos Kyllä, mitä franchising-pakettinne osa-alueita on suunniteltu muokata ja missä määrin? Arvioikaa jokaista seuraavassa listassa esitettyä asiaa erikseen ympyröimällä valitsemanne vaihtoehto asteikolla

- 1 aiotaan muokata huomattavasti
- 2 aiotaan muokata jonkin verran
- 3 aiotaan muokata vain vähäisesti
- 4 ei aiota muokata lainkaan

Tuotteen ulkonäkö	1	2	3	4
Tuotteen koostumus (esim. maku, tuoksu)	1	2	3	4
Tuotteen hinta	1	2	3	4
Tuotevalikoima	1	2	3	4
Brandi, tuotteen nimi	1	2	3	4
Brandi, yrityksen nimi	1	2	3	4
Yrityksen logo	1	2	3	4
Palvelun taso ja sisältö	1	2	3	4
Toimipaikan ulkoilme ja sisustus	1	2	3	4
Toimipaikan aukioloajat	1	2	3	4
Toimipaikan koko	1	2	3	4
Yrityksen imago	1	2	3	4
Tuotteiden positiointi	1	2	3	4
Mainonta	1	2	3	4
Ohjekirjat, manuaalit yms. materiaali	1	2	3	4
Muu, mikä	1	2	3	4

Kiitos arvokkaasta avustanne tutkimuksen tekemisessä!

APPENDIX 2: Cover Letter for Questionnaire

17.04.98

Arvoisa Vastaanottaja!

Helsingin kauppakorkeakoulussa tehdään tutkimusta kansainvälisestä franchisingista, jonka tutkimustuloksiin Teilläkin on nyt mahdollisuus vaikuttaa. Tarkoituksena on selvittää yritysten kokemaa kulttuurierojen vaikutusta franchising-toimintaan ja sitä, ovatko yritykset muokanneet franchising-konseptiaan siirtäessään sen toiminnan aloitusmaasta uusille markkinoille. Tutkimuksen aihe on erittäin ajankohtainen, josta on tehty hyvin vähän aikaisempaa kartoitusta.

Toivottavasti Teillä on hetki aikaa, ja voitte täyttää oheisen kyselykaavakkeen, sillä juuri Teidän vastauksellanne on suuri merkitys tutkimuksen onnistumisen kannalta. Vastauksenne käsitellään ehdottoman luottamuksellisesti ja anonyymisti.

Kyselyyn vastattuanne olkaa hyvä ja **faksatkaa** se numeroon **08-511269 ke 29.04. mennessä**. Tulosten analysoinnin jälkeen kaikille kyselyyn vastanneille lähetetään kesällä -98 postitse yhteenveto tutkimustuloksista, jotka varmasti osaltaan voivat auttaa Teidänkin franchising-toiminnan tulevaa kehittämistä.

Jos haluatte lisätietoja tutkimuksesta, olkaa hyvä ja ottakaa yhteyttä Satu Sipolaan, puh. 050-5604137, email: satu.sipola@ky.hkkk.fi.

Kiitos arvokkaasta avustanne ja menestyksellistä kevään jatkoa!

Ystävällisin terveisin,

Satu Sipola
Kauppatieteiden yo

Eero Vaara
Yliassistentti

APPENDIX 3: Cover Letter for Follow-Up Contact

10.05.98

Arvoisa Vastaanottaja!

Saitte muutama viikko sitten Helsingin kauppakorkeakoulusta kyselylomakkeen koskien kansainvälisestä franchisingista tehtävää tutkimusta. Emme ole kuitenkaan saaneet vielä vastaustanne, ja muistuttaisimmekin, että juuri Teidän vastauksellanne olisi suuri merkitys tutkimuksen onnistumisen kannalta.

Tutkimuksen tarkoituksenaan on selvittää yritysten kokemaa kulttuurierojen vaikutusta franchising-toimintaan ja sitä, ovatko yritykset muokanneet franchising-konseptiaan siirtäessään sen toiminnan aloitusmaasta uusille markkinoille. Tutkimuksen aihe on erittäin ajankohtainen, josta on tehty hyvin vähän aikaisempaa kartoitusta.

Toivottavasti voisitte käyttää muutaman minuutin ajastanne ja vastata oheiseen kyselylomakkeeseen. Vastauksenne käsitellään ehdottoman luottamuksellisesti ja anonyymisti.

Olkaa hyvä ja **faksatkaa** vastauksenne numeroon **08-511269 mahdollisimman pian**. Tulosten analysoinnin jälkeen kaikille kyselyyn vastanneille lähetetään kesällä -98 postitse yhteenveto tutkimustuloksista, jotka varmasti osaltaan voivat auttaa Teidänkin franchising-toiminnan tulevaa kehittämistä.

Jos haluatte lisätietoja tutkimuksesta, olkaa hyvä ja ottakaa yhteyttä Satu Sipolaan, puh. 050-5604137, email: satu.sipola@ky.hkkk.fi

Kiitos arvokkaasta avustanne ja menestyksellistä kevään jatkoa!

Ystävällisin terveisin
Helsingin kauppakorkeakoulu

Satu Sipola
Kauppatieteiden yo